KRRC

Public Records Requests

Email

May 2009

(1 of 3)

Search all emails where the Subject OR Body contains all of the following 'KRRC" OR "gun club" OR "revolver club" OR "4900 Seabeck" OR "safety complaint"'

In accordance with RCW 42.56.210 Personal Records Exemption (Personal addresses, phone numbers, email addresses, etc.) have been redacted from the attached record.

KRRC Email MAY 2009 (1of 3) - Exemption Log				
Pursuant to RCWs 42.56.070 and 5.60.060(2) (a), the records listed below are exempt from disclosure:				
DATE	**EMAIL AUTHOR**	**EMAIL RECIPIENT**	**SUBJECT**	**REMARKS**
5/4/2009	Shelley E. Kneip	Matt Keough	Re: URGENT QUESTION	Attorney Client Privilege
5/4/2009	Matt Keough	Shelley E. Kneip	URGENT QUESTION	Attorney Client Privilege
5/5/2009	Shelley E. Kneip	Tracey L. Hamilton-Oril	Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Work Product
5/5/2009	Nancy Buonanno-Grennan	Chip Faver, Kevin M. Howell, Matt Keopugh	Re: Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Client Privilege
5/5/2009	Shelley E. Kneip	Tracey L. Hamilton-Oril	Re: Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Work Product
5/5/2009	Nancy Buonanno-Grennan	Chip Faver, Kevin M. Howell, Matt Keopugh	Re: Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Client Privilege
5/5/2009	Tracey L. Hamilton-Oril	Shelley E. Kneip	Re: Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Work Product
5/6/2009	Shelley E. Kneip	Opal Robertson	Resolution	Attorney Work Product
5/6/2009	Shelley E. Kneip	Kevin M. Howell	Resolution re Sale to KCRR.doc	Attorney Work Product
5/6/2009	Matt Keough	Chip Faver, Kevin M. Howell, Shelley E. Kneip	Fwd: Final Newberry Hill Exchange Agreement	Attorney Client Privilege
5/6/2009	Kevin M. Howell	Russell D. Hauge	Fwd: Gun Club Appraisal = ZERO VALUE	Attorney Work Product
5/6/2009	Russell D. Hauge	Kevin M. Howell	Re: Fwd: Gun Club Appraisal = ZERO VALUE (May Absence)	Attorney Work Product
5/6/2009	Matt Keough	Kevin M. Howell, Shelley E. Kneip	Re: Resolution	Attorney Client Privilege
5/7/2009	Mark Abernathy	Matt Keough, Kevin M. Howell	FW: Indemity agreement-KRRC	Attorney Client Privilege
			Draft Indemnification (attachment)	Attorney Work Product
5/7/2009	Shelley E. Kneip	Kevin M. Howell, Matt Keough	Re: Resolution	Attorney Client Privilege
5/7/2009	Shelley E. Kneip	Kevin M. Howell	Revised Resolution	Attorney Work Product
5/7/2009	Opal Robertson	Kevin M. Howell, Shelley E. Kneip, Matt Keough	Re: Resolution	Attorney Client Privilege
5/7/2009	Kevin M. Howell	Shelley E. Kneip	Re: Exec Summary	Attorney Work Product
5/7/2009	Shelley E. Kneip	Kevin M. Howell	Re: Exec Summary	Attorney Work Product

Don Burger

From: DNR [BRADFORD.PRUITT@dnr.wa.gov]
Sent: Friday, May 01, 2009 3:46 PM
To: info@gunsafety.org; education@gunsafety.org
Cc: Matt Keough; PAT (DNR) HENNESSY
Subject: Consent to Lease Assingnment and Lease Estoppel
Attachments: KRCC Consent to assign w gun club lease 050109 (2).pdf

<<KRCC Consent to assign w gun club lease 050109 (2).pdf>>

Brad Smith:

Re: Newberry Hill Land Exchange

Attached is a copy of the Consent to Assignment of Lease and Lease Estoppel, for Lease No. 60-B068979. I'm sending a copy by e-mail so you can review the documents before you receive them by mail. **Once you receive the two originals by mail, please keep one copy for your records and send the other signed original back in the return envelope provided.** If you have any questions please call the Lease Manager, Pat Hennessy at (360)596-5149.

Thanks,

Brad Pruitt, Project Manager

May 1, 2009

Kitsap Rifle and Revolver Club
Attn: Brad Smith, President
4900 Seabeck Hwy NW
Bremerton, WA 98312

Re: Consent to Lease Assignment & Lease Estoppel, DNR Lease No. 60-B068979

Dear Mr. Smith:

You were originally informed of the possibility of a land exchange between the State of Washington Department of Natural Resources (State) and the Kitsap County Parks and Recreation Department in February of 2009 that might involve the property that you currently lease from the State.

While an exchange agreement has not been finalized between the State and Kitsap County Parks and Recreation Department, at this time the State anticipates exchanging the property that you lease that is located in Section 36, Township 25 North, Range 01 West, .M. in Kitsap County, Washington. This exchange is being referred to as the Newberry Hill Land Exchange 86-081861.

If this exchange should be finalized, the Kitsap County Parks and Recreation Department would replace the State of Washington, Department of Natural Resources, as the Lessor for the above-mentioned land that you currently lease from the State. The State anticipates presenting the Newberry Hill Land Exchange proposal to the Board of Natural Resources for their consideration and approval at its June 2, 2009 meeting in Olympia, Washington.

Please sign and return one copy of this Letter of Consent to Lease Assignment together with the Lease Estoppel in the enclosed self-addressed stamped envelope, no later than May 22, 2009, if you consent to this assignment. A second copy has been enclosed solely for your records.

If you consent to this lease assignment, Kitsap County Parks and Recreation Department requires that you forward a current copy of your insurance certificate showing adequate insurance amounts as required under the terms and conditions of this lease prior to May 22, 2009. Your insurance agent should be able to assist you with this by providing you with a copy of your insurance certificate. You should forward this insurance certificate to:

> Kitsap County Parks and Recreation Department, c/o Matthew Keough, 614 Division Street, MS-1, Port Orchard, WA 98366

In the event you choose not to sign and return this Letter to Consent to Lease Assignment and Lease Estoppel, then this letter shall serve as notice that the State is proceeding under Lease Clause 4.03 providing you with sixty (60) days' written notice for formal lease cancellation.

It reads as follows:

> *4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.*

If you choose to not consent to the assignment and the State successfully negotiates the exchange of the property, the lease will be cancelled effective June 30, 2009.

If you have any questions about the lease or this exchange, please contact Pat Hennessy at (360) 596-5149 or Brad Pruitt at (360) 584-5037.

Sincerely,

Brad Pruitt
South Puget Sound Asset Manager

Encl: Self-Addressed Stamped Envelope

c: Dave Dennis, Forest Manager
File 60-B068979
Bob Winslow

Lease Assignment

I consent to the above referenced transfer and assignment of the lease to the Kitsap County Parks and Recreation Department.

KITSAP RIFLE AND REVOLVER CLUB

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BRAD SMITH, PRESIDENT Date Signed

Lease Estoppel

60-B068979

The undersigned ("Tenant") is the tenant under that certain lease dated as of November 17, 2003, by and between Tenant and State of Washington, Department of Natural Resources, ("Landlord") (as amended and supplemented by the instruments attached below, the "Lease") pursuant to which Tenant has leased certain property located in Kitsap County, Washington as more particularly described therein (the "Property").

The undersigned understands that the Kitsap County Parks and Recreation Department, ("Exchanger") is acquiring the Landlord's interest in the Property and the Lease. Tenant further understands that Exchanger will be relying on the truth and accuracy of the matters described in this certificate in proceedings to complete the exchange. Based on such understandings, Tenant certifies to Exchanger.

A full and complete description of the Lease, including any and all amendments and modifications thereto is attached as Exhibit A. Said documents and instruments constitute the entire agreement between Landlord and Tenant with respect to the Property.

1. The Lease has not been amended, altered, modified or supplemented in any way.
2. The Lease has not been assigned, mortgaged, pledged or otherwise encumbered by Tenant, nor has all or any portion of the Property been sublet. Tenant has no notice of any prior assignment of the Lease or pledge of the Lease or rents as security by Landlord.

3. The Tenant has no option to renew the Lease or otherwise extend the term of the Lease. Tenant has no option or right of first refusal to purchase the Property.

4. The annual rent payable under the terms of the Lease is the same as shown in the Lease, or most recent rent adjustment letter.

5. Tenant has made no security or other deposits or prepaid rent under the Lease, except as follows:

Rent is paid annually and has been paid through February 27, 2010.

Tenant has no claim of offset or defense against either the rent or the Landlord, nor any other claim or counterclaim, including, without limitation, claims to concessions, "free" rent, rebates or abatements in rent, against Landlord except as set forth under the Lease.

6. There exists no improvements or personal property of the tenant on the property other than those listed on the attached lease. Upon termination of the Lease for any reason, including expiration of its term, ownership and disposition of all such improvements or personal property shall be pursuant to the Lease.

7. There exists no defaults on the part of the Landlord under the Lease.

8. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangements under the bankruptcy laws of the United States or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

This certificate may be relied upon by Exchanger and, if the above-referenced acquisition closes, shall be binding upon the undersigned.

KITSAP RIFLE AND REVOLVER CLUB

_____

BRAD SMITH, PRESIDENT Date Signed

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
EXHIBIT A

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
DOUG SUTHERLAND, Commissioner of Public Lan

SPECIAL USE LEASE

Lease No. 60-B068979

BY THIS LEASE (hereinafter "Agreement"), the STATE OF WASHINGTON, Department of Natural Resources, (hereinafter "State") leases to KITSAP RIFLE AND REVOLVER CLUB (hereinafter "Lessee") the premises in Kitsap County, Washington, the legal description of which is set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. Said premises and rights leased hereby are hereinafter referred to as the "Premises".

SECTION 1 OCCUPANCY

1.01 Lease Term. This Agreement shall commence on March 1, 2003 ("Commencement Date") and expire on February 27, 2018.

1.02 No Warranty of Quiet Enjoyment. State makes no warranty of quiet enjoyment of the Premises.

1.03 Condition of Premises. Lessee has had an opportunity to inspect Premises and enters into this Agreement solely in reliance on Lessee's own examination and not by reason of any representation by State. Premises are accepted in its present condition "AS IS WHERE IS". No reliance shall be placed on any opinion, material, or information provided by or through State, and Lessee does so at its own risk, cost and expense.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this Agreement, the following uses and no other uses are permitted:

Intensive use and occupancy containing Lessee's improvements, roads, parking areas, open shooting range, targets, and associated infrastructure.	8 Acres
Timberlands, wetlands and similar resource-oriented lands passively utilized by Lessee to provide buffer and safety zones for Lessee's shooting range.	64.41 Acres

In the event the Lessee desires a change in acreage or use, authorization must be obtained in advance and in writing from the State. Approval may be conditioned upon adjustment of the payment in accordance with changes in acreage or use.

SECTION 3 PAYMENT

Payments made hereunder will be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

3.01 Rent. The Lessee shall pay to the State, at Olympia, Washington 98504, in advance, the required rent of $7,200.00 for the period of March 1, 2003 to February 27, 2004 and annually thereafter subject to adjustment under Subsection 3.06.

3.02 Leasehold Tax. Lessee shall pay to State, the leasehold tax as set forth in RCW Chapter 82.29A - Leasehold Excise Tax as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

3.03 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected, except as expressly provided in Subsection 13.06 (Condemnation).

3.04 Interest Charged for Past-Due Rent and Other Sums Owed. Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the Commencement Date hereof), until paid, on rent or other sums owing under the terms of this Agreement commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this Agreement, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.05 Late Charge for Failure to Pay. In the event the Lessee fails to make any payment of rent due hereunder upon the date due, the State shall be entitled to collect from the Lessee a late charge equal to six percent (6%) of the amount of the delinquent payment. Any failure to pay rent or any amount specified in this Section 3, or any other amount to be paid by the Lessee under terms of this Agreement within thirty (30) days of the date due, shall be a material default hereunder by the Lessee and such default shall entitle the State to pursue all remedies specified in this Agreement, including the right to terminate this Agreement, though failure to exercise such right shall not be construed as a waiver of the right and thereafter pursue any remedies available at law or equity, including those contained in Chapter 59.12 RCW.

3.06 Adjustment of Rent. Beginning on the fifth anniversary of the Commencement Date, and at intervals of five (5) years thereafter (the "Adjustment Date"), a new annual rental will be established. In no event will the adjusted annual rental be less than the previous annual rental. Adjusted rental values established after the designated Adjustment Date shall be due retroactive to such Adjustment Date. The method for such adjustment shall be selected solely by the State from the following options:

(a) Increase of the current annual rent by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), US City Average (1982-84=100), between the date five (5) years previous to the Adjustment Date and the Adjustment Date, i.e., adjusted rental amount equals current annual rent times CPI as of current Adjustment Date divided by CPI as of date five (5) years previous. In the event the CPI ceases to be published, the State may substitute such other comparable cost of living index as then may be in publication by a comparable governmental agency.

(b) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through evaluation of pertinent market evidence by State lease administrator and/or other appropriate State personnel.

(c) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through formal appraisal by State's appraiser, certified general appraiser under contract with the State, or such other appraiser as may be agreed to by State. Such appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Institute.

The market value will be determined exclusive of Lessee's improvements and as though ownership were in fee simple, not encumbered by lease.

Under (b) and (c) above, the new annual rental above shall be computed by multiplying the market value of the Premises by the then current Prime Rate as of the Adjustment Date plus 200 basis points (Prime Rate + 2.0%). The term "Prime Rate" shall mean the Prime Rate as published in The Wall Street Journal from time to time (or the average Prime Rate if more than one is published), any change in such Prime Rate to effect a change in the rate charged hereunder on the date of each such change. If The Wall Street Journal ceases to be published or ceases to publish a Prime Rate, then State shall designate another nationally recognized business publication which publishes such a rate or such rates which does, in the reasonable opinion of State, represent the "Prime Rate" as defined herein.

3.07 Failure to Adjust Not Waiver. Failure of State to adjust rent pursuant to Subsection 3.06 above at the end of any five (5) year period, shall not be a waiver by State of the right to adjust rent at the end of any subsequent five (5) year period. State shall retain the right, for so long as this Agreement remains in effect, to adjust rent as of the end of any five (5) year period, as though all prior adjustments had been made in accordance with the above provisions.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this Agreement. Failure to inspect or enforce compliance shall not be construed as a waiver of the State's right to declare a breach, nor relieve Lessee of any liability to the State for any breach of the terms, conditions, or requirements of this Agreement.

4.02 Compatible Uses. State reserves for itself, its successors and assigns, the right at all times for any purpose to cross and re-cross the Premises at any place or grade, to grant easements/licenses over or leases to the Premises, to sell, or otherwise dispose of minerals, coal, oil, timber, gas, or other valuable materials from the Premises insofar as the State's activities on the Premises and any grant of rights the State makes to any person or entity shall not unreasonably interfere with the activities permitted hereunder.

4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.

SECTION 5 SPECIAL RESTRICTONS

5.01 Permits and Conformance With Laws.

(a) Lessee shall obtain all building permits and other required permits, licenses, permissions, consents, and approvals from governmental agencies or third parties in connection with this Agreement and Lessee's permitted use including construction of any improvements, changes, alterations, additions, repairs, maintenance to or replacement of the Premises, or for the conduct of any business upon the Premises at the sole cost and expense of Lessee. Copies of such permits, licenses, permissions, consents, and approvals shall be supplied to State on request.

(b) Lessee shall conform to all applicable laws, regulations, permits, orders, or requirements of any public authority affecting the Premises and the use thereof, and shall correct at the Lessee's own cost and expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use. In no event shall Lessee undertake or suffer any activity to be conducted upon the Premises which constitutes a nuisance or which is a threat to the health or welfare of the general public.

(c) Lessee shall cause all work on the Premises and all business conducted thereon during the term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

5.02 Other Restrictions on Use.

(a) Lessee shall cut no State timber or remove State-owned valuable material, without prior written consent of the State. Prior to State's authorization for the cutting of timber, or removal of valuable material, the Lessee must pay to the State the fair market value of the timber or valuable material, as determined by the State.

(b) Lessee shall take all reasonable precautions to protect the land and improvements on the Premises from fire, make every reasonable effort to report and suppress such fires as may affect the Premises, and shall be subject to applicable fire laws affecting the Premises.

(c) Lessee shall prevent accumulation of equipment parts or "bone yards" on the Premises.

(d) This Agreement does not convey rights to media uses, communication sites, or any use on the Premises other than those expressly stated in this Agreement.

5.03 Habitat Conservation Plan. The Premises are located within an area that is subject to State's Habitat Conservation Plan adopted in connection with Incidental Take Permit No. PRT-812521 (ITP) as supplemented by Permit No. 1168 (Collectively "ITP"). As long as the Habitat Conservation Plan remains in effect, Lessee and all persons acting under Lessee shall comply with the terms and conditions set forth in Exhibit 5A while operating on the Premises. State shall have the right to modify these terms and conditions from time to time to comply with the Habitat Conservation Plan, the ITP, the Endangered Species Act, the implementing regulations, and amendments thereto, or the requirements of the federal agencies administering these laws.

SECTION 6 UTILITIES, TAXES, LIENS

6.01 Utilities and Maintenance. During the term of this Agreement, Lessee shall pay all expenses incurred by Lessee in the use, enjoyment, and operation of the Premises, including, but not limited to, utility charges and all costs of maintaining and repairing the Premises and all improvements thereon whether now existing or hereafter installed. Lessee shall indemnify and hold the State harmless against any loss, liability, or expense resulting from any failure of Lessee to pay all such charges when due.

6.02 Taxes and Assessments.

(a) Lessee shall pay during the term of this Agreement all taxes and other governmental charges of any kind applicable or attributable to the installation of Lessee owned improvements on the Premises, Lessee's leasehold interest therein, and Lessee's use and enjoyment thereof.

(b) Lessee shall pay its prorated share of all assessments that are legally required to be paid now or may be charged during the Agreement term to the Premises or Lessee owned improvements thereon. Lessee shall not cause or suffer the imposition of any assessment upon the Premises without the prior written consent of State. In the event any new assessment is proposed which affects the Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Premises shall be made in compliance with all applicable statutes, including, but not limited to, Chapter 79.44 RCW.

6.03 Lessee Liens. Lessee shall not suffer or permit any lien to be filed against the State's interest in the Premises, or improvements thereon by reason of work, labor, or services performed thereon or materials supplied to, by or through the Lessee. If any such lien is filed, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in

writing by the State in advance. Lessee shall indemnify the State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to termination or cancellation of this Agreement.

SECTION 7 LESSEES INDEMNITY; INSURANCE REQUIREMENTS

7.01 Indemnity. Lessee releases and shall indemnify and defend (with counsel acceptable to State) State, its employees, officers, and agents from and against any and all claims arising out of the use, occupation or control of the Premises by Lessee, its agents, and employees. A "claim" as used in this subsection means any claim of any nature whatsoever for penalties, financial loss, damages (including but not limited to bodily injury, sickness, disease or death, or injury to or destruction of property, land and other natural resources including the loss of use thereof), costs or expenses (including but not limited to attorney's fees), whether or not resulting in a suit or action or reduced to judgment. This release and the obligation to indemnify shall not be eliminated or reduced by the concurrent negligence of the State, its officials, employees, or agents, except as provided in this subsection. To the extent that RCW 4.24.115 applies, Lessee shall not be required to indemnify State from State's sole or concurrent negligence. Lessee waives its immunity under Title 51 to the extent it is required to indemnify the State herein.

7.02 Insurance Requirements. Lessee shall, at all times during the term of this contract at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance may result in the termination of the contract at State's option.

All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the department's risk manager before the contract is accepted. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications:

1. Insurers subject to Chapter 48.18 RCW (admitted and regulated by the Insurance Commissioner): The insurer shall give the State 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

2. Insurers subject to Chapter 48.15 RCW (surplus lines): The State shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

Before starting work, Lessee shall furnish with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements

specified in the contract and, if requested, copies of polices to State. The certificate of insurance shall reference the State of Washington, Department of Natural Resources, and the lease number.

Lessee shall include all subcontractors as insured under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each subcontractor. Subcontractor(s) must comply fully with all insurance requirements stated herein. Failure of subcontractor(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella, and property insurance policies.

All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this contract. All insurance policies must expressly waive any right of subrogation by the insurance company against the State and the State's officials, employees, and agents.

If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this contract.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Commercial General Liability (CGL) Insurance. Lessee shall maintain general liability (CGL) insurance covering claims for bodily injury, personal injury, or property damage arising on the property and/or out of Lessee's operations and, if necessary, commercial umbrella insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insured (cross liability) condition.

Employer's Liability ("Stop Gap") Insurance. Lessee shall buy employers liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

Workers' Compensation Coverage. Lessee shall comply with all State of Washington workers' compensation statutes and regulations. Workers' compensation coverage shall be provided for all employees of Lessee and employees of any subcontractor or sub-subcontractor. Coverage shall include bodily injury (including death) by accident or disease, which exists out of or in connection with the performance of this contract. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers' compensation, employer's liability, commercial general liability, or commercial umbrella liability insurance.

If Lessee, subcontractor or sub-subcontractor fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee or subcontractor or sub-subcontractor employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such employees.

Business Auto Policy (BAP). Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01. Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

Builders Risk Insurance. If applicable, Lessee shall buy and maintain in force builders risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance shall be written on a completed form and in an amount equal to the value of the completed building, subject to subsequent modifications to the sum. The insurance shall be written on a replacement cost basis. The insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

Insurance described above shall be written to cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse. Insurance described above shall cover the entire work at the site including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property shall include portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding, falsework, and temporary buildings located at the site. The policy shall cover the

cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance or regulation.

Any deductible applicable to the insurance bought in compliance with the policy described above shall be identified in the contract documents and the responsibility for paying the part of any loss not covered because of application of deductible(s) shall be the responsibility of the Lessee. If any part of any loss is not covered because of the application of a deductible amount not identified in the contract documents, Lessee will pay such loss. Lessee shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by State. If testing is being performed, such insurance shall cover such operations. This insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

SECTION 8 WEEDS, HARMFUL SUBSTANCES

8.01 Weed Control. Lessee shall control all weeds on the Premises. Lessee shall be responsible for, or shall immediately reimburse State for, any all weed control cost incurred, as a result of Lessee's failure to control all weeds on said Premises.

Lessee shall prevent weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new weeds. Weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of Washington State and Federal law.

Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

a. Preventing weed problems;

b. Monitoring for the presence of weed species;

c. Establishing the density of the weed population (which may be zero) that can be tolerated;

d. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

e. Evaluating the effects and efficacy of weed control treatments.

8.02 Hazardous, Toxic, or Harmful Substances.

(a) Deleterious Material. Lessee shall not make, or suffer to be made, any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by the State, or unless permitted by Subsection 2.01 (Permitted Use). If the Lessee fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, the Lessee agrees that the State may, but is not obligated to, remove such materials and charge the Lessee for the cost of removal and disposal.

(b) Hazardous, Toxic, or Harmful Substances.

(1) Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use under Subsection 2.01 (Permitted Use) and unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall:

(i) Immediately notify the State of: all spills or releases of any Hazardous Substance affecting the Premises; all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended; all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises; and all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises; and

(ii) On request, provide copies to the State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises.

(2) Lessee shall be fully and completely liable to the State, and shall indemnify, defend, and save harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

SECTION 9 ASSIGNMENTS

Assignment. Lessee shall not hypothecate, mortgage, assign, sublease, transfer, or otherwise alienate this Agreement ("Assignment"), or any interest therein, without the prior written consent of State, which consent shall not be unreasonably withheld. In granting any such consent under this clause State shall be entitled to consider, among other items, the proposed assignee's, sublessee's or transferee's financial condition, business reputation, business, and such other factors as may reasonably bear upon the suitability of the assignee, sublessee, or transferee as lessee of the Premises. If Lessee is a corporation, partnership, or other association, (1) the transfer of more than fifty percent (50%) of the ownership interest in such entity, or (2) the sale of all or substantially all of the assets of Lessee shall be deemed to constitute an "assignment" of this Agreement which requires consent of State. The consent of State to any one assignment shall not constitute a waiver of State's right to consent to subsequent assignments, nor shall consent of State to any one assignment relieve any party previously liable as Lessee from any obligations under this Agreement, who shall remain joint and severally liable as primary obligor and not as surety. The acceptance by State of the payment of rent following an assignment shall not constitute consent to any assignment and State's consent shall be evidenced only in writing. The State may require reimbursement for any additional administrative costs resulting from the assignment.

SECTION 10 IMPROVEMENTS

10.01 Authorized Improvements. No improvement shall be placed on the Premises without the prior written consent of the State. Consent may be granted through this Agreement resulting in the State's approval of the authorized improvements listed herein as Exhibit 10A, or by written Letter of Authorization issued by the State.

10.02 Plan Approval. The plans or specifications for the construction of the authorized improvements listed on Exhibit 10A or authorized by Letter of Authorization issued by State, and for such changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval.

10.03 Ownership of Improvements. During the Term of this Agreement, the improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, all improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of State, unless State requires their removal pursuant to Section 10.04 below. Throughout the term of this Agreement, Lessee shall not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Premises for work or labor done, services performed, or materials used or furnished to be used in or about the Premises for or in connection with any construction, improvements or maintenance or repair thereon made or permitted to be made by Lessee, its agents, or sublessees. Any liens, encumbrances or claims of third parties with respect to any of the foregoing, shall be expressly subordinate and subject to the rights of State under this Agreement.

10.04 Condition at End of Lease. Upon vacating the Premises on the termination date, Lessee shall leave the Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Agreement and shall peaceably surrender the same to State. At the option of State, Lessee shall at its sole expense remove all improvements constructed by Lessee upon the Premises and return the Premises to grade level free of all debris.

10.05 Surety Bond. A surety bond, certificate of deposit assignment, or letter of credit may be required by State to assure completion of construction or development of any improvements costing in excess of $2,500.

10.06 Hold Harmless. Lessee shall indemnify, defend and hold harmless State and the Premises from and against all claims and liabilities arising by virtue of or relating to construction of the authorized improvements or repairs made at any time to the authorized improvements (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the State of Washington, with respect to all aspects of such work and materials therefore, and will make them available for inspection by State or its representatives as requested.

10.07 Permits; Compliance with Codes. Lessee shall cause all work on the Premises during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction. Lessee is responsible, at Lessee's sole cost and expense, to cause the authorized improvements and the Premises to comply with all applicable governmental laws, statutes, rules, regulations and/or ordinances that apply to the Premises during the Agreement Term, whether now in effect, or hereinafter adopted or enacted.

10.08 State's Repairs. State shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Premises, or any part thereof, during the term of this Agreement.

10.09 Lessee's Repairs, Alteration, and Maintenance. Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this Agreement, and keep and maintain the whole of the premise, including all improvements in a clean, sanitary and attractive condition.

SECTION 11 ROADS (NOT APPLICABLE)

SECTION 12 DEFAULT AND REMEDIES

12.01 Default. In the event of any material breach of any provision of this Agreement by Lessee, the breach, after expiration of any grace period as provided in this subsection, shall be

deemed a default entitling State to cancel this Agreement and seek any other remedies set forth in this Agreement or otherwise available at law or equity. State shall deliver to Lessee notice of the breach and a demand that the same be remedied immediately. Lessee shall not be in default if the breach pertains to the payment of money and Lessee cures the breach within thirty (30) days of receipt of the notice, or if the breach pertains to a matter other than the payment of any monies due under this agreement, Lessee shall after receipt of the notice promptly commence to cure the breach and shall cure the breach within forty-five (45) days after receipt of the notice. If such breach is non-monetary in nature, and, as determined by State, is not reasonably susceptible of being cured in said forty-five (45) days (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), Lessee shall commence to cure such breach within said period and diligently pursue such action with continuity to completion. If Lessee fails to cure a default, all Lessee owned improvements shall at the option of State, be removed by Lessee, be removed by State at the cost to Lessee, or become the property of State.

12.02 Reentry. In the event of any default by Lessee, State shall have the right, with or without canceling the Agreement, to reenter the Premises and remove all persons and property from Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this Agreement unless a written notice of termination is given to Lessee.

12.03 Termination of Agreements. Whether or not State elects to terminate this Agreement on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions or other arrangement for possession affecting Premises. Alternatively, State, in its sole discretion, may succeed to Lessee's interest in such sublease, license, concession or arrangement, and Lessee shall have no further right to or interest in the rent or other consideration receivable thereunder.

12.04 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this Agreement and shall continue as obligations until fully performed. All clauses of this Agreement that require performance beyond the termination or expiration date shall survive the termination or expiration date of this Agreement. Upon expiration or earlier termination of this Agreement, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements hereon, unless specified otherwise in this Agreement, shall cease.

12.05 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, the State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to the Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

12.06 Remedies Cumulative. The specified remedies to which the State may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this Agreement.

12.07 Nonwaiver. Waiver by the State of strict performance of any provision of this Agreement shall not be a waiver of nor prejudice the State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by the Lessee of any provision of this Agreement shall not constitute a waiver of any right of the State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall expressly do so in writing.

12.08 Force Majeure. The Lessee's failure to comply with any of the obligations under this Agreement shall be excused only if due to causes beyond Lessee's control and without the fault or negligence of the Lessee, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

12.09 Insolvency of Lessee. If the Lessee becomes insolvent, a receiver is appointed, or Lessee's interest is transferred by operation of law by reason of insolvency, the State may terminate this Agreement at its option. Insolvency as used herein will mean the inability of the Lessee to meet its monetary obligations under this Agreement as they come due.

SECTION 13 GENERAL PROVISIONS

13.01 Governing Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

13.02 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the activities conducted and business carried on under this Agreement, and the State shall have no obligation with respect to the Lessee's debts or other liabilities.

13.03 Lessee's Authority. Persons executing this Agreement on behalf of Lessee represent that they are authorized to do so and represent and warrant that this Agreement is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

13.04 State's Authority. This Agreement is entered into by State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this Agreement which may lawfully be enacted subsequent to the date of this Agreement.

13.05 Preservation of Markers. Lessee shall not destroy any land survey corner monuments and reference points (including but not limited to corner markers, witness objects, or line markers) without prior written approval from the State, which shall not be unreasonably withheld. Monuments or reference points that must necessarily be disturbed or destroyed during construction or operations must be adequately referenced and replaced, at the Lessee's cost, under the direction of a State of Washington Professional Land Surveyor, in accordance with all applicable laws of the State of Washington, including but not limited to RCW 58.24, and all relevant Department of natural Resources regulations.

13.06 Condemnation. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, this Agreement terminates as of the date the condemner takes possession. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, the State or Lessee may choose to terminate this Agreement as of the date the condemner takes possession. If either the State or Lessee elects to terminate this Agreement, the rents or other charges to be paid by Lessee will be apportioned by the State and paid by the Lessee to the date of taking. If neither the State nor Lessee elects to terminate this Agreement, the rent will be reduced in the same proportion that the value of the portions of the site to be taken bears to the value of the entire site as of the date condemner takes possession.

If the taking is for a period which will end on or extend beyond the expiration of the term of this Agreement, Lessee will have no claim or interest in or to any award of damages for the whole or partial taking of the site, except that the Lessee will be entitled to an amount equal to the fair market value of any improvements as of the date of taking (except trade fixtures) considered by this Agreement to be owned by the Lessee taken by the condemner.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Agreement will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the Premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

13.07 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.
Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of the State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

13.08 Time of Essence. Time is expressly declared to be of the essence of this Agreement and each and every covenant of Lessee and the State hereunder.

13.09 Amendments. Any amendments, revisions, supplements, or additions to this Agreement or the attached exhibits shall be made in writing executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.

13.10 Entire Agreement. This written Agreement or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

13.11 Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

13.12 Attorney Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the prevailing party shall be entitled to reasonable attorney fees, paralegal fees, accountant and other expert witness fees and all other fees, costs and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

13.13 Notices and Submittals. Any notice or submittal given under this Agreement shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted. Changes of address may be given in accordance with this section. Any notice or submittal given under this Agreement shall be:

To the State:

Where Agreement provisions require submittal to State office:
Department of Natural Resources
Product Sales and Leasing Division
P.O. Box 47061
Olympia, WA 98504-7061

Where Agreement provisions require submittal to the State at its Region office:

Department of Natural Resources
South Puget Sound Region Region
950 Farman Avenue North
Enumclaw, WA 98022

To the Lessee at the address affixed with signature or Lessee's last known address.

13.14 Exhibits. This agreement is subject to the terms and conditions of exhibits referenced herein, which are attached hereto and by this reference made a part hereof.

Exhibits: 1A - Legal Description and Encumbrances, 5A - HCP Requirements, 10A - Authorized Improvements

KITSAP RIFLE AND REVOLVER CLUB

Dated: Nov. 12, 2003.

BRAD SMITH, PRESIDENT

Address: 4900 Seabeck Hwy NW
Bremerton, WA 98312

Phone: (360) 373-1007

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: November 17, 2003.

ART TASKER,
South Puget Sound Region Manager

Approved as to form this
27 day of February, 2003
Jim Schwartz, Assistant Attorney General

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KITSAP)

I certify that I know or have satisfactory evidence that Brad Smith is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the president of Kitsap Rifle and Revolver Club to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: 11/12/03

(Seal or Stamp)

Alma M. Singleton
NOTARY PUBLIC in and for the
State of WASHINGTON
My appointment exp 9/1/05

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Art Tasker is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the Region Manager of Washington State Department of Natural Resources, South Puget Sound Region to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: November 17, 2003

(Seal or Stamp)

Floella C. McKinley
NOTARY PUBLIC in and for the
State of Washington
My appointment
expires 6/29/04
expires

FLOELLA C. MCKINLEY
COMMISSION EXPIRES
NOTARY
PUBLIC
6-29-04
STATE OF WASHINGTON

EXHIBIT 10A
Authorized Improvements

(1) One 12 foot X 120 foot covered rifle position shooting building.

(2) One 12 foot X 105 foot covered pistol position shooting building.

(3) One 12 foot X 20 foot storage shed.

(4) One 8 foot X 12 foot target shed.

(5) Electrical meter service panel and power poles.

EXHIBIT 5A
HCP REQUIREMENTS

1. The Lessee shall immediately notify the State of new locations of Permit species covered in the Incidental Take permit (ITP) that are discovered within the leased Premises covered by the Habitat Conservation Plan (HCP), including, but not limited to: locations of occupied murrelet habitat; spotted owl nest sites; wolves; grizzly bears; nests, communal roosts, or feeding concentrations of bald eagles; peregrine falcon nests; Columbian white-tailed deer; Aleutian Canada geese; and Oregon silverspot butterflies. In all circumstances notification must occur within a 24 hour time period.

2. Upon locating any live, dead, injured, or sick specimens of any listed species covered by the ITP within the leased Premises the Lessee shall immediately notify the State. In all circumstances notification must occur within a 24 hour time period. Lessee may be required to take certain actions to help the State safeguard the well being of any live, injured or sick specimens of any listed species discovered, until the proper disposition of such specimens can be determined by the State.

3. Lessee shall refer to ITP number PRT-812521 (a copy of the ITP is located for reference in the region office) in all correspondence and reports concerning Permit activities.

4. All applicable provisions of the ITP and this schedule must be presented and clearly explained by Lessee to all authorized officers, employees, contractors, or agents of Lessee conducting authorized activities on the Property. Any questions Lessee may have about the ITP should be directed to the State.

5. At this time, the following sensitive areas, conditions or species have been identified on the Premisis. Contact the State for more information on the identified areas.

Riparian Management Zones

Bodies of water, including but not limited to those streams, rivers and lakes and other lakes and wetlands have been identified and/or may be located on the Premises. All activities within the Riparian Management Zone, as defined in the HCP and including that portion of the inner riparian ecosystem between the aquatic zone and the direct influence zone (uplands) and including the outer wind buffer, must comply with the current HCP Procedures. Activities in a Riparian Management Zone, including but not limited to cutting or removing any tree and/or timber (including hardwood, merchantable and unmerchantable timber, downed timber, windthrow and snags), and road, trench and/or trail use, and/or maintenance, may be restricted or not permitted during specific times. All activities must provide for no overall net loss of naturally occurring wetland acreage and function.

Don Burger

From: Josh W. Brown [JWbrown@co.kitsap.wa.us]
Sent: Friday, May 01, 2009 4:57 PM
To: Helen & Drew Daly
Cc: Dana Daniels
Subject: Re: Newberry Hill Property - Gun Club.doc

Helen,

Thanks a lot for your thoughts. They are much appreciated. Warm regards, Josh

Josh Brown
Kitsap County Commissioner, District #3
614 Division Street, MS - #4
Port Orchard, WA 98366-4676
P: (360) 337-7146
F: (360) 337-4632
jwbrown@co.kitsap.wa.us
www.kitsapgov.com

>>> "Helen & Drew Daly" < treesdaly@[redacted] > 4/29/2009 3:02 PM >>>
April 29, 2009

Dear Commissioner Brown,

People who have worked towards the goal of having Newberry Hill DNR lands become a regional park are wanting me to tell you they are very upset over the possibility of the gun clubs expansion further into the park area.
Everytime I and other people have walked into this area with all its beautiful forests and wetlands, they have told me that the loud noise of gunfire disturbs the quality of their experience there. Much of the reason for creating this Regional Park, which is so near the urban area, is to give people a place where they can escape from the rush and noise of human life and commune and be restored by the ambience of the natural world.
I am speaking for those who will be using this beautiful area in the future. Don't let their experience be compromised.
I honor the validity of the fun and recreation people have in a gun club. It is a much-loved sport. My husband is a gun enthusiast. I also realize how badly County Parks and Recreation needs money, however I ask you not to sell the land to the gun club. I suggest that you honor the gun clubs current lease, then provide them with 130 to 160 acres in the area of Coulter Creek where other noisy types of recreation are being located.
We are working at preserving the Chico Creek Watershed. Wetlands and a tributary for Chico Creek run through the gun club's property. Might pollution be a problem? Also if we should have a chance to acquire the Camp Wesley Harris property, the gun clubs property would make this addition of much less value to the environment and the non- shooting public.
Such an important decision as selling this land should not be made without proper public notification and input.
Thank You,

Helen Daly,
Park Advisory Board, Central Kitsap
treesdaly@[redacted]

Don Burger

From: Harlan [gottogo@[redacted]]
Sent: Sunday, May 03, 2009 8:15 AM
To: Josh W. Brown
Cc: Marcus Carter
Subject: POSSIBLE SPAM! SCORE = 7.8 DNR land use

I urge you to support the DNR land transfer and sale of the range property to KRRC I live in Mason co.have since 1977 and as the population grows there is less places for myself and other shooters to go plinking due to land use and also because of a few selfish people who leave such a mess even I would close the area to this great pass time. I drive 23 miles to the range so I may enjoy the company of other members and continue the shooting sport I grew up with back in South Dakota. You will find no more worthy administrators of the land/range than those who we the members have elected to serve our sport. Thanks for the support of a worthy pastime and a great sport that also helps to protect our country.

Harlan Hammrich
Mason Co.

Don Burger

From: Michael Dosa [mpdx@[redacted]
Sent: Sunday, May 03, 2009 8:40 AM
To: Josh W. Brown
Subject: DNR Land Transfer- KRRC

Commissioner Josh Brown

I am not a member of the Kitsap Rifle and Revolver Club (KRRC) and I live about 1 mile from the range as the crow flies.

I support the sale of land to the KRRC so "Gun People" have a save and structured place to enjoy there activity.

Thank you

Michael Dosa
mpdx@[redacted]

Don Burger

From: bill williams [mouse_po@[redacted]
Sent: Sunday, May 03, 2009 9:34 AM
To: Josh W. Brown
Subject: Land Swap

Sir,

I'm writing this in hopes that you are still considering your approval for the land swap between DNR and Kitsap County. Included in this is a proposition for Kitsap Rifle & Revolver Club to continue leasing or perhaps buying the property it currently occupies. I think this is something that needs to go forward for the benefit of the entire community. KRRC has been and will continue to be a source of enjoyment for all to participate in recreational and competitive shooting. The efforts that KRRC has put into providing a safe and secure shooting enviroment cannot be denied. Many law enforcement organizations, military units, and base personnel use the facilities for training and practice. These are efforts that will continue to ensure the security of residents of Kitsap County and our military installations. All facets of the training and education of Kitsap County residents who wish to hunt and shoot are primary considerations of the members and personnel of KRRC. The staff and instructors at KRRC have nothing to gain and the residents of our community have everything to lose. Our commitment to safety is above reproach. Our commitment to the community, as shown by the many events and charities we support, is something that we are proud of.

So, please take all of this into consideration in making your decision for support of the proposed land swap. We thank you for all of your efforts and support over the past few months and hope it will continue into the future. In closing, I thank you for the time to read and consider this and hope that you will lend your approval and support for this project.

Bill Williams
Port Orchard, Wa.
[redacted]
Range/Safety Officer and proud member of KRRC

Bill Williams

Don Burger

From: Matt Carrasco [docfong1@[redacted]
Sent: Sunday, May 03, 2009 11:03 PM
To: Josh W. Brown; docfong1@[redacted]
Subject: Support for the DNR land transfer & sale of range property to KRRC

My name is Matt Carrasco and I have been a voting resident of Kitsap County since 2002, I am in the Navy and plan to retire here in Kitsap County next year. I am also a member of the Kitsap Rifle & Revolver Club and enjoy the club with my wife and 10 year old son. We would like to consider you as a friend to the club and just wish to express our support for the DNR land transfer and the sale of the range property to KRRC.

Please continue your support and friendship to the club and we look forward to a favorable outcome for all parties involved, thank you for your consideration.

KRRC Supporters,
Terri, Matt & Jack Carrasco

KRRC has been a community resource for firearm safety, marksmanship and competition for **83 years** please allow this to continue.

Don Burger

From: Charlotte Garrido [CGarrido@co.kitsap.wa.us]
Sent: Monday, May 04, 2009 4:26 PM
To: Rhiannon Fernandez
Subject: Fwd: Comments regarding Newberry Land Exchange
Attachments: Comments regarding Newberry Land Exchange

Hi
Please put a copy of this letter in my file for this land exchange (Kitsap Rifle & Gun Club).
C

Charlotte Garrido
Kitsap County Commissioner
(360) 337-7097, fax (360) 337-4632

Don Burger

From: Charlotte Garrido [CGarrido@co.kitsap.wa.us]
Sent: Monday, May 04, 2009 4:26 PM
To: Rhiannon Fernandez
Subject: Fwd: Comments regarding Newberry Land Exchange
Attachments: Comments regarding Newberry Land Exchange

Hi
Please put a copy of this letter in my file for this land exchange (Kitsap Rifle & Gun Club).
C

Charlotte Garrido
Kitsap County Commissioner
(360) 337-7097, fax (360) 337-4632

FISHERIES DEPARTMENT
360/598-3311
Fax 360/598-4666

THE SUQUAMISH TRIBE

P.O. Box 498 Suquamish, Washington 98392

May 1, 2009

Doug McClelland
Department of Natural Resources
Asset Management and Protection Division
1111 Washington Street SE
Olympia, WA 98504-7014

Re: Newberry Land Exchange No. 86-81861

Dear Mr. McClelland,

This letter transmits the Suquamish Tribe's comments on the Newberry Land Exchange. The proposed project is within the usual and accustomed fishing areas of the Suquamish Tribe. The Tribe seeks protection of all treaty-reserved natural resources and cultural resources. As a resource co-manager, the Suquamish Tribe is active in participating in the environmental review process for development within its U and A. The Tribe not only has the right to fish but also the right to preserve and maintain the resource. The Tribes primary concerns regarding the proposed land exchange are treaty resources, habitat, and water quality.

Chico Creek

The Chico Watershed consists of approximately sixteen square miles (10,500 acres) and supports five (Chinook, chum, coho, cutthroat and steelhead) salmon species. Nearly 68 miles of streams contribute to the watershed. Major tributaries include Wildcat, Lost, Dickerson and Kitsap Creeks. The Kitsap Refugia Study (May 2000) has designated Chico a "Focal Watershed". The habitat study that was completed by WDFW several years ago also identifies this area as a significant habitat area.

Historically, small lowland streams of the Puget Sound region have been productive salmon bearing waters. Salmon and trout have significant scientific, cultural and economic value to the people of the Pacific Northwest (Kitsap County 2000). Suquamish tribal elders identify Chico Creek as their primary historic source of coho (probably due to the presence of lakes and wetlands in the watershed) and chum salmon. Chico Creek is the most productive salmon stream on the Kitsap Peninsula.

In spite of their importance, many salmon runs are in danger of being lost forever (Nehlsen et al. 1991). This is especially true in the Puget Sound Lowland ecoregion, where rapid population growth and widespread development are putting pressure on

stream ecosystems (May et al. 1997). These pressures include road crossings, utility-line gaps, and other breaks in the stream-riparian corridor, which fragments habitat, allows direct access of surface runoff into streams, and compromises the effectiveness of the natural buffers surrounding streams (Kitsap County 2000; May et al. 1997).

The Suquamish Tribe has spent a significant amount of time and money to maintain and enhance the Chico Creek system. Some of these activities include spawner surveys, habitat and water quality monitoring, mainstem restoration, successful SRFB proposals and Tribe/County partnership in ALEA acquisition.

Wetlands

The onsite wetlands are part of a large high quality, unique system as well as being headwater wetlands to Chico Creek. WDFW has stated that the large open water component is likely utilized by fish (Jeff Davis, personal communication). Unlike Green and Gold Mountain recreation areas this site may require additional protections. Riparian and headwater wetland areas are critical to the ecological integrity of all upstream and downstream habitat areas and should be protected by extensive buffers and limitations on development. Any activities within the wetland or buffer impact areas that are crucial headwaters to Chico Creek. It is important to be aware of the crucial role that remaining headwaters play in supporting existing systems and recovery efforts. Headwater wetlands provide high levels of water quality and quantity, sediment control, nutrients and woody debris for downstream reaches (*Entering the Watershed: A New Approach to Save Americas River Ecosystems* by Doppelt et al.).

The illegal activities in the past several months are reducing the quality of the wetland habitat and creating uses where they did not previously exist. The Tribe is concerned that cumulative impacts could be significant. Cumulative effects are "those effects on the environment that result from the incremental effect of the action when added to past, present and reasonably foreseeable future actions regardless of what agency (federal or nonfederal) or person undertakes such other actions. Cumulative effects can result from individually minor but collectively significant actions taking place over a period of time" (FEMAT, 1993). The article in the Kitsap Sun was erroneous in the statement that trails were being "reclaimed". Prior to recent activities uses were primarily limited to the DNR wetland perimeter road and any other existing trails were primarily game trails. Now trails have been constructed through sensitive areas without proper assessment and/or mitigation. Illegal structures, culverts, etc. need to be removed.

Wildlife

Upland species such as black bears, cougar and bobcat (unlike raccoons, coyotes and deer) do not acclimate well to humans in close proximity (all of these species are present and have been observed on the subject property). These animals usually require large home ranges and need bigger tracts of land to survive. Without large parcels of land available to them they will disappear from Kitsap County. The Tribe urges Kitsap County to designate species of local concern so that adequate protections can be provided.

The property in question is riddled with wetlands which are particularly important to amphibians and birds. Amphibians have very small home ranges so the filling of just one small wetland finger can be detrimental to a population. Birds utilizing the Pacific Flyway use the site as a resting area. The Pacific Flyway is a major north-south route for migratory birds <http://en.wikipedia.org/wiki/Migratory_birds> that extends from Alaska <http://en.wikipedia.org/wiki/Alaska> to Patagonia <http://en.wikipedia.org/wiki/Patagonia> . Each year, migratory birds travel some or all of this distance both in spring and in fall to find food sources, breeding grounds, or overwintering sites.

The Tribe strongly requests that DNR require the following conditions:

- Note on the title/deed stating that all wetlands, streams and associated buffers will be provided protection in perpetuity (i.e. no development within critical areas or buffers).
- Removal of all illegal structures (including but not limited to boardwalks, culverts and pavers).
- Prohibit road/trail development beyond the existing DNR perimeter road without adequate environmental assessment.
- Complete an Environmental Impact Statement prior to additional land sale (proposed 60 acres) to Kitsap Revolver and Rifle Club or any changes to existing uses to evaluate existing and future impacts (including but not limited to environmental and cultural).

Sincerely,

Alison O'Sullivan
Biologist, Environmental Program

Cc: Brad Pruitt, DNR Project Manager
Kitsap CountyCommissioners
Matt Keough, Kitsap County Parks

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Monday, May 04, 2009 5:59 PM
To: Matt Keough
Cc: Kevin M. Howell; Tracey L. Hamilton-Oril; Tracy L. Osbourne
Subject: Re: URGENT QUESTION

[redacted]

Shelley E. Kneip, Senior Deputy
Kitsap County Prosecuting Attorney's Office
614 Division St. MS 35A
Port Orchard, WA 98366
Office: (360) 337-4992
Fax: (360) 337-7083

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>>> Matt Keough 05/04/09 4:31 PM >>>
Shelley,

Urgent question (in Kevin's absence):

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

Don Burger

From: Steve Shapiro [sshapiro@realestatesolve.com]
Sent: Tuesday, May 05, 2009 3:11 PM
To: Matt Keough
Subject: Gun Club Appraisal
Attachments: 9111-Kitsap Gun Club.pdf

Stephen Shapiro, MAI
RE-SOLVE
261 Madison Avenue S, Suite 102
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Stephen Shapiro, MAI
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Email: sshapiro@realestatesolve.com

May 5, 2009

Chip Faver, Director
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

RE: Kitsap County Rifle and Revolver Club Portion of Tax Parcel # 362501-2-001-1001

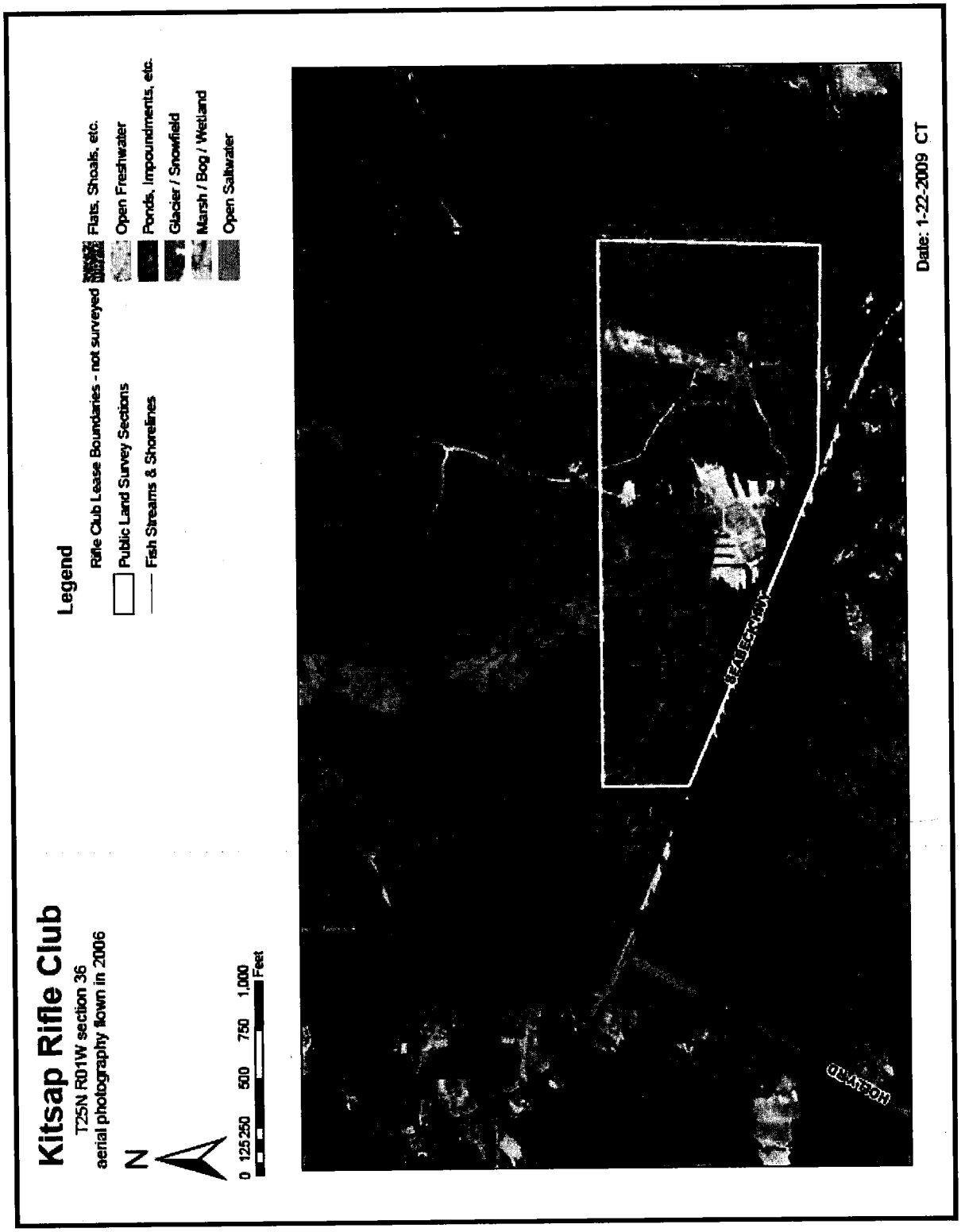
Dear Mr. Faver:

At your request, I have prepared this valuation/counseling letter with regard to the above referenced property. This letter meets the standards of a *restricted* appraisal report. The document recognizes your familiarity with the subject property and issue at hand, and thus is intended only for your use, or those you deem sufficiently knowledgeable to fully understand the contents of this evaluation. As directed, I have estimated the fee simple interest in the subject recognizing the restricted conditions of use described in the specialized appraisal instructions discussed in this report. This appraisal will be used by you for purposes of potential disposition of the property.

Identity/Location of Property

The subject is comprised of land and improvements operating as the Kitsap Rifle and Revolver Club. This includes 8 acres containing roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used to provide buffer and safety zones for lessee's shooting range. The following legal description of the subject was provided by the client. The area is depicted on the photograph on the following page.

> *Part of the Southwest quarter of the Southeast quarter and part of the Southeast quarter of the Southwest quarter of Section 36, Township 25 North, Range 1 West, W.M., lying northerly of the North lines of an easement for right of way for road granted to Kitsap County on December 7, 1929, under Application No. 1320, said road being as shown on the regulation plat thereof on file in the office of the Commissioner of Public lands at Olympia, Washington, the above described lands having an area of 72.41 acres, more or less.*



KITSAP RIFLE GUN CLUB

Purpose of Valuation and Counseling Letter

The Washington State Department of Natural Resources presently owns approximately 522 acres that includes the subject area, which is leased to the Kitsap Rifle and Revolver Club. The Kitsap County Department of Parks and Recreation has an interest in acquiring the DNR property and disposing of the 72.41 acres encompassed by the gun club. The purpose of this counseling letter is to provide a market based valuation analysis of the subject gun club area in its "as is" condition and recognizing the stipulated Specialized Appraisal Instructions discussed below.

The term "market value" is defined as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:*
>
> *a. the buyer and seller are typically motivated;*
>
> *b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
>
> *c. a reasonable time is allowed for exposure in the open market;*
>
> *d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
>
> *e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

Specialized Appraisal Instructions

The client has provided specific instructions to provide a fee simple market value for the subject recognizing any existing reservations as well as the following instructions. These instructions constitute limiting conditions that have a direct impact upon the value conclusions derived.

1. Appraise the property in an "As Is" condition.

2. Assess and state environmental liabilities associated with this land, and its historic use as a shooting range, without any indemnification provided by the seller.

3. The subject property will continue to be utilized exclusively as a short arm shooting range consistent with its historic use. Enlargement, material improvement of the activities will require land use compliance and permitting through Kitsap County Department of Community Development.

4. Require purchaser to be a non-profit organization, enabled to: maintain existing public (state) funds and (2) apply for public funds to support the historic use of the property for outdoor recreation.

5. Require purchaser and future owners to provide public access to the property for recreational use on a non-profit basis.

6. Assume liability associated with operating existing recreation facilities, specifically a shooting range.

7. The subject property is associated with an adjacent, listed Superfund site with the EPA. The Washington State Department of Ecology ranks the adjacent property a "2" on its scale of hazardous materials contamination. Site clean up work was performed in the late 1970's but more recent analysis indicates that further hazardous clean up work is needed to address lead, chromium and other contamination.

Intended Use/User

This report will be used as an aid in the potential disposition of the subject property after it is acquired by Kitsap County. The client is Chip Faver, director of the Kitsap County Department of Parks and Recreation, as well as his authorized agents, associates and employees.

Scope of Assignment

The scope of work of this assignment is to provide consultation pertaining to the potential disposition of the subject. The Uniform Standards of Professional Appraisal Practice defines "Appraisal Consulting" as follows:

> *The act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.*
>
> *An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.*

The scope of work in this assignment is associated with consultation rather than an appraisal owing to the unusual circumstance of the subject being a special use property that is heavily contamination, which does not readily lend itself to the typical valuation methodologies. This issue is discussed in greater depth in the highest and best use section of this report.

This analysis is presented in a reporting format that meets the requirements for a restricted report under USPAP guidelines. Discussions and analysis are abbreviated in this document, with supporting data retained in my files for reference.

Subject Sales History

The subject property has been under the ownership of the Washington State Department of Natural Resources for many years and there is a lease over the entire property between the State of Washington as lessor and the Kitsap Rifle and Revolver Club as lessee. This includes 8 acres containing the lessee's improvements, roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used by the lessee to provide buffer and safety zones for lessee's shooting range.

The lease commenced in March of 2003 and has a termination date of February 27, 2018. This is a net lease with a current rate of $7,200 per year, although there is a scheduled increase that has not been applied. It should be noted that section 4.03 of the lease stipulates the following caveat:

> *State reserves the right to terminate this agreement upon sixty (60) days written notice in the event the State includes the premises in a plan for higher and better use, land exchange or sale.*

This clause would allow Kitsap County to acquire the subject from Washington State unencumbered by the lease. Additionally, section 8.02(a) of the lease requires the lessee to remove all "deleterious material" at the termination of the lease or the State will do so at the lessee's expense. This effectively requires the lessee to clean the site of any material impacts that would undermine the highest and best use of the property resulting from its use as a firing range. However, it is the mutual intention of DNR and Kitsap County to transfer ownership of the subject to the latter party with the existing gun club use intact. Further, there is no requirement to clean the site of hazardous materials upon a change in ownership.

Title Report/Easements/Conditions/Restrictions

Although I have not been provided a title report for the specific subject I have been given a title report for the larger area of which the subject is a part. I am not aware of any easements, conditions, covenants or restrictions that would constrain the highest and best use of the subject, and this is an underlying assumption of this report.

Date of Appraisal

The date of this appraisal is March 19th, 2009, the most date of the subject property inspection. This report was prepared in April and May of 2009.

Property Characteristics

Location and Access

The subject property is located in central Kitsap County on the Seabeck Highway near its intersection with Holly Road. While the area immediately surrounding the subject is rural, the property is located only about 10 miles west of Bremerton, the most populous city in Kitsap County and about a dozen miles

from Port Orchard, which is the county seat. About seven miles to the northeast is Silverdale, which has the greatest concentration of retail shops and malls in the county.

Zoning

The subject's 522 acres are comprised of 2 parcels plus a portion of a third parcel adjoining to the north. These are all designated Rural Wooded (RW) in the Kitsap County zoning code. General specifications associated with this zone are as follows:

Rural Wooded Zone (RW)

Minimum Lot Size	20 Acres
Setbacks	50' Front, 20' Side/Rear
Building Height	35'
Primary Permitted Uses	Preservation of forest use while allowing for some rural residential use

The Kitsap County Zoning Ordinance describes the purpose of this zone as follows:

> *This zone is intended encourage the preservation of forest uses, retain an area's rural character and conserve the natural resources while providing for some rural residential use. This zone is further intended to discourage activities and facilities that can be considered detrimental to the maintenance of timber production.*

The primary permitted uses in the RW zone include forestland management, agriculture, parks and open space, wholesale nurseries, kennels, and residential use at a very low density. Conditional uses are limited but do include certain recreational uses. While a shooting range is not explicitly noted as an allowable use, it is assumed that the current use of the subject is a permitted conditional legal use of the property.

Land Description

The subject is an irregularly shaped 72.41 acre land area that is a portion of Kitsap County tax parcel number 362501-2-001-1001. The property has generally rolling topography with no steep areas. The property is cleared in the 8 acre shooting range area and has timber cover in the 72 acre buffer area. I am unaware of any critical areas on the subject. I have been provided a timber valuation of the entire DNR property by the firm of S. A. Newman , Forest Engineers, indicating that are is $1,258,00 of merchantable timber value over the entire 522 acre tax parcel. This amounts to about $2,410/acre. I have not been provided any timber valuation for the subject portion of the total property. However, applying the average timber value per acre suggests there is approximately $175,000 of merchantable timber value on the subject.

Utilities

All utilities are presently available to the subject including electricity and phone. Water is provided by an on-site well and waste is handled by a septic system.

Subject Improvements

The subject is improved as a shooting range that has been operated as the Kitsap Rifle and Revolver Club since 1926. It is minimally improved with infrastructure associated with the shooting range. This includes several portable buildings and covered shooting platforms.

Hazardous Materials

It is well known that the approximately 8 acres of the subject that has been used as a shooting range for the past 83 years is contaminated with lead from spent ammunition lodged in the soil. To my knowledge there has never been any hazardous conditions assessment of the subject property or any estimate of the cost to clean it up. Clearly, the potential cost and risk of liability associated with the cleanup of the subject would be a significant value consideration in the mind of any prospective buyer of the property. In support of this I have provided the following documentation pertaining to evidence of hazardous material associated with shooting ranges as well as clean up costs.

Metallic lead shot is the most common ammunition used in shooting ranges owing to its low cost, ease of reloading and good firing characteristics. Lead is a known pollutant that has been closely monitored by the Environmental Protection Agency for many years as a hazardous trace material in paint, gasoline, plumbing pipes and other consumer products including food. In its solid form as lead shot at a firing range it can enter the environment as dust particles and dissolved in ground water. Thus, it is associated with grasses and plants ingested by animals as well as surface drinking water used by animals and groundwater that may be used by people. In its dissolved state lead pollution can infiltrate areas well outside the local firing range through surface run off and ground water percolation.

Research indicates that lead is the most prevalent contaminant found at federal Superfund sites across the country. Recognition of its significant environmental and health threats have resulted in enacting federal and state laws requiring clean up under most circumstances. Interestingly, private firing ranges remain exempt from federal law owing to owing to an interpretation by the EPA that the act of firing bullets does not qualify as "discarding" them. However, state law pertaining to the clean of lead material from firing ranges may apply.

According to Donna Musa of the Washington State Department of Ecology Toxic Cleanup Program, suspected contamination on a particular site does not constitute a requirement to investigate hazardous conditions or clean up any such materials. Typically, investigation into hazardous conditions is triggered by someone concerned about being subjected to such contamination or when contamination has been found to migrate from its source to neighboring property. In these instances Washington State requires an assessment to rank a potentially hazardous site, but only requires clean up of those designated as falling in the top tier of potential environmental threats.

Since firing ranges tend to be in relatively remote areas and are often frequented by local inhabitants, they are not usually the subject of such complaints. Ms. Musa noted that a change of ownership would not trigger a clean up requirement. Further, Washington State law does not stipulate that a change of use would necessarily trigger a clean up requirement. However, if the use of a property was changed in such a manner that the hazardous material posed an obvious threat under, it almost certainly would require consideration of cleanup. This would likely pertain to most, if not all, alternate uses of the subject firing range allowable under the existing zone such as residential, agricultural, plant nursery and kennels.

The fact that the subject is not presently a candidate for an assessment of toxic materials does not mean that this may not occur some time in the future. Although I am not a legal expert and cannot opine as to who might bear responsibility for clean up of the subject, I have been provided a specific instruction by the client that no indemnification of such responsibility would be provided by the seller to any potential buyer. Thus, there is clearly some element of risk associated with acquisition of this contaminated site.

The cost of cleanup for shooting ranges can be significant. A local example is Camp Wesley Harris, which lies adjacent to the subject's eastern boundary. This 387 acre Naval shooting range has operated rifle and hand gun ranges since around 1930. Around 1980 the U.S. Navy initiated an assessment of the toxic materials and the Washington State Department of Ecology performed a hazardous waste examination of this site that resulted in approximately $3 million of clean up during 1987 and 1988. The primary contaminants were lead and chromium lodged in the soils and diluted in shallow groundwater. According to John Kiess with the Kitsap County Health District, who participated in this assessment, the cleanup area on Camp Wesley Harris was fairly similar in size and use as the Kitsap Rifle and Revolver Club.

Two other examples of the cost to clean up shooting ranges pertain to the Sharp Park Rifle Range that was owned and operated by the City of San Francisco and the gun range at Huntington Central Park in Huntington Beach, CA. The former was a 6 acre site that operated as a firing range from 1952-1988. In 2007 the City of San Francisco commissioned a study to determine clean up costs. The report determined that it would cost between $2.5-$4.5 million to excavate and remove all toxic materials. The Huntington Beach site covered about 5 acres and the estimated cost of cleanup is currently $1.5-$3 million according to city officials.

With respect valuation of the Kitsap Rifle and Revolver Club I have not been provided any cost estimate regarding the potential cleanup of the property. However, given the likely extent of contamination and the need for an "as is, where is" appraisal, it is necessary to estimate the potential liability that would result from a clean up requirement. Based upon the information discussed above, I have concluded that cleanup of the subject site would very likely have a present day cost of at least $2 million and a high probability that the cost would be on the order of $3 million.

Highest and Best Use

"Highest & Best Use" is defined by The Appraisal Institute as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest*

value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility and maximum profitability."

Source: The Dictionary of Real Estate Appraisal, Third Edition, Copyright 1993, published by the Appraisal Institute.

The highest and best use analysis provides the foundation for a value conclusion by identifying the specific market position of a subject and thereby specifying appropriate market comparisons for it, as well as the relevant approaches to value. It is governed by consideration of the property's legal, physical and economic potential. If the property is improved, the process requires separate analysis of the land as though vacant and the land as improved. This provides the basis for a conclusion as to whether the improvements adequately contribute to overall value as to continue to be the preferred use, or whether an alternate use would better support the land value. In this instance, the subject property is improved as a small arms firing range and the instructions to the appraiser specify that it is to be valued in it's "as is" condition. Thus, a highest and best use analysis of the subject as if vacant is not appropriate and has not been provided.

Highest & Best Use "As Is"

The highest and best use of the subject is governed first by what is legally feasible. As previously discussed the subject's RW zone would allow for single family residential development at a density of one dwelling unit per 20 acres. This would nominally allow for three development rights. However, the Specialized Appraisal Instructions provided by the client effectively limit the use of the property to a short arms shooting range that must be open to the public and operated on a non-profit basis by an owner who is qualified to accept public funds.

With respect to physical possibility the subject has historically been used as a firing range for more than 80 years. It has ample room to support a firing range with a large buffer safety area from surrounding uses. The property is located in a rural area of Kitsap County with very low residential development potential but is also situated on a paved highway within a short distance of Bremerton, Port Orchard and Silverdale. These factors suggest that the property would provide good access to a large number of people in its current use while at the same time creating a relatively small noise nuisance impact.

Based upon the foregoing factors the highest and best use of the subject is concluded to be continued operation of the property as improved for use as a firing range that is open to the public and operated on a non-profit basis.

Meanwhile, circumstances resulting from the presence of hazardous waste and the special instruction stipulating that a buyer of the property would not be indemnified from any responsibility of cleaning up toxic contamination make it necessary to look beyond the presumed highest and best use as if in a benign condition to an examination in its "as is" condition. Such consideration specifically revolves around the possibility that at some future time it would be necessary to pay for clean up of toxic material on the property.

In light of the discussion above, it appears that the salient question regarding highest and best use is whether a gun club operating on a non-profit basis would contribute sufficient economic value to supersede the risk associated with the possible cost to cure the contamination at some time in the future? Obviously, the meaning of "risk" assumes that there is no conclusive answer. However, there are some indications in this regard that are pertinent to a valuation based on risk assessment. These include a probable current cost to cure the subject's contamination from $2- $3 million. While it is not possible to predict the exact duration required for cleanup, given that the nature of the contamination pervades into the soil and aquifer it may take years to remediate and it is possible that the costs may escalate beyond present day projections. Finally, there is no certainty that any previous owners of the property would share responsibility for cleanup.

Assessing the impact of contamination on the site is obviously complicated by the fact that it is unknown when and if such cleanup will be required. Further, the cost of hazardous waste cleanup as well as the extent of liability among parties who may have held title to the property at one time or another is notorious for its lack of predictability. For that reason, projecting how these may impact the subject's ultimate value becomes a matter of risk analysis. Where good sales comparison data exists, the appraiser can make direct market comparisons to derive the value of a given property in its existing condition. Not surprisingly, however, I did not find sales of contaminated firing ranges in the subject's market area. The difficulty of finding suitable sales comparisons has resulted in reliance upon the income capitalization approach as the primary means to valuation in this instance. This approach implicitly recognizes the risk associated with achieving a market return on investment in a given property through application of an appropriate capitalization rate. In this instance the rate of return should reflect the following issues:

- The possibility that the ultimate cost of cleanup may be higher than the present day estimate.
- The difficulty in placing a specific time period upon remediation of contamination.
- The level of confidence that cleanup technology and procedures exist that can result in a complete cleanup that will require no further action.
- The possibility that market stigma will be attached to the property even if cleanup does not impair present day operations and liability does not extend beyond the present owner.

The analysis that follows first considers the value of the subject through the income capitalization approach under use as a non-profit firing range that utilizes state funding. The second step in the analysis considers an appropriate discount to that value based upon the risk that a prospective buyer would be required to clean up the contamination on the property at some time in the future.

Land Valuation Analysis

Land valuation analyses are typically based upon the precepts of "market value" as this implicitly considers what the most likely potential buyer of a property would pay in order to generate the highest economic return. However, in this instance the Specialized Appraisal Instructions limit the use of the property to a firing range, and even that utilization of the property is further constrained by requirements that it be operated on a non-profit basis by a party accepting state funds. *The Appraisal of Real Estate*

(12th Edition), which is a comprehensive text published by the Appraisal Institute, provides the following guidance pertaining to valuing such properties:

> *When appraising a type of property that is not commonly exchanged or rent, it may be difficult to determine whether an opinion of market value can be reasonably supported. Such limited-market properties can cause special problems for appraisers. A limited-market property is a property that has relatively few potential buyers at a particular time. Many limited-market properties include structures with unique designs, special construction material, or layouts that restrict their utility to the use for which they were originally built. These properties have limited conversion potential and, consequently, are often called special-purpose or special-design properties. Examples of such properties include houses of worship, museums, schools, public buildings and clubhouses.*
>
> *Limited-market properties may be appraised based on their current use or the mostly likely alternative use. Due to the relatively small markets and lengthy market exposure needed to sell such properties, there may be little evidence to support an opinion of market value based on their current use. The distinction between market properties and limited-market properties is subject to the availability of relevant market data. If a market exists for a limited-market property, the appraiser must search diligently for whatever evidence of market value is available.*
>
> *If a property's current use is so specialized that there is no demonstrable market for it but the use is viable and likely to continue, the appraiser may render an opinion of use value if the assignment reasonably permits a type of value other than market value. If no market can be demonstrated of if the data is not available, the appraiser cannot develop an opinion of market value and should state so in the appraisal report. It is sometimes necessary to render an opinion of market value in these situations for legal purposes, however. In these cases, the appraiser must comply with the legal requirement, relying on personal judgment and whatever direct market evidence is available. Note that the type of value developed is not dictated by the property type, the size or viability of the market, or the ease with which that value can be developed; rather, the intended use of the appraisal determines the type of value to be developed. If the client needs a market value opinion, the appraiser must develop an opinion of market value, not use value.*

In this instance the client has provided very specific instructions limiting the use to a single application but has also directed the appraiser to provide an opinion of market value. Thus, in keeping with the direction provided above, I had relied upon personal judgment as well as whatever market evidence is available in deriving a value conclusion for the subject.

The direct income capitalization methodology is an approach that equates the net operating income of a property over one year of operation to total property value through the application of a market based capitalization rate that implicitly accounts for the risk associated with continuing to generate stabilized income over the life of the investment. In this instance, the subject is appraised as a non-profit operation. Discussion with Kevin Howell of the Kitsap County Prosecutor's Office and Matthew Keough of the

Kitsap County Department of Parks and Recreation suggest that the non-profit status eliminates the ability to generate any net operating income because fees can only be charged that are commensurate with the costs of maintenance and operation. This would effectively reduce the net operating income to zero for a passive investor in the property who does not intend to have a management role.

However, a non-profit organization can pay salaries to its employees. Thus, if the property was purchased by a prospective owner who intended to operate the firing range himself, the salary generated could be construed as income. This latter scenario suggests that even given the strict limitations on the use of the property, there may be prospective buyers willing to pay a lump sum purchase price for the opportunity to generate a salary over their term of ownership.

The amount that such a prospective buyer might pay is a function of the risk associated with the security of the income stream. For purposes of this analysis I have relied upon personal conjecture as well as market evidence to first derive an estimate of the subject's market value *without any consideration of contamination impact*. The impact of toxic waste upon value is then considered in a separate step of the analysis.

The analysis begins with an assumption of a reasonable salary that a potential buyer of the subject could anticipate generating through operation of a firing range. I have put this at $100,000 annually. Since all other funds generating would necessarily go to the operation and maintenance of the firing range (including any other salaries that might be paid) the owner's salary effectively represents the annual net operating income. According to the Korpacz Real Estate Investor Survey (a division of Price Waterhouse Coopers), capitalization rates for investment grade real estate in the Pacific Northwest ranged from 6.5%-11% in the first quarter of 2009. Assuming that the security of this investment entails more or less average risk I have applied a 9% rate of return to the income noted above which results in a total value indication for the subject of around $1,100,000.

While a prospective buyer of the subject might be willing to pay on the order of $1,100,000 to generate an annual income stream of $100,000 assuming typical market risk, consideration of the subject's contamination adds significant uncertainty to the security of that income stream. As discussed above, the current cost to cure all of the contamination on the subject is expected to be around $2-$3 million. Since it is a specific instruction of this appraisal that no indemnity would be granted to a buyer of the property, that person would be expected to absorb most, if not all, of the remediation costs. The next questions are if and when such a liability would be exacted.

As previously discussed the subject is not presently on the Washington State Department of Ecology's list of contaminated sites slated for cleanup, and to my knowledge there has never been any assessment of toxic materials on the subject. However, given its use as a firing range for nearly a century it is common knowledge that the site is heavily contaminated. Further, the adjoining Camp Wesley Harris site, which has a very similar history of use as the subject, has been placed upon the State's list of toxic sites and has already undergone some cleanup at considerable expense. It would be very logical to conclude that at some point the subject would also become a viable candidate for cleanup, and thus it would seem that the issue is much more a matter of "when" than "if."

With regard to the timing impact of any potential requirement to clean up the subject the following analysis is germane. At a price of $1,100,000 and an annual income of $100,000 it would nominally require 11 years to recoup the capital investment. However, adding the cost of cleanup at $2 million (which is the low end of the estimate) would add additional 20 years. Obviously, this is a highly simplistic analysis that ignores additional inputs such as inflation, a potential increase in annual income and a potential increase in the cost of cleanup over time. However, it very clearly illustrates that the looming liability of curing the subject's contamination would undermine much, if not all, of the economic benefit to be derived from the subject. While it is difficult to project when the DOE might require cleanup of the subject, it is not unreasonable to presume that changes in land use in this area over the next 20 years will very likely include increased residential development density with a reliance upon ground sources of drinking water that would promulgate such action. Ultimately, this raises a very strong question as to why a prospective buyer would pay $1,000,000 to secure such a risky income stream when that money could be put to other far less risky income producing real estate ventures.

Based upon the foregoing analysis it is my conclusion that the market value of the subject is effectively zero. This does not necessarily suggest that there is not a prospective buyer willing to pay some amount of cash for the subject. However, that buyer would not be acting to obtain the maximal return on investment that is essential to the concept of market value. Rather, such a purchase would be predicated upon "use value" that considers the value of a particular property in a particular use irrespective of any value that might be derived from alternate uses of that property or an investment in another property that would reap a positive economic return.

Subject Market Value As Is & Recognizing Specialized Appraisal Instructions **$0**

Effective Date of Value

March 19, 2009.

Closing

If you have any further questions or concerns, please do not hesitate to call.

Sincerely,

Stephen Shapiro, MAI

Ref: 9111

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this appraisal are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conclusions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the obtainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Cope of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property.
- This appraisal has been made in conformity with the appropriate State and Federal laws and requirements, and complies with the contract between the agency and the appraiser;
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by authorized representatives.
- As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute.
Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

The property has been appraised for its fair market value as though owned in fee simple and encumbered by the Specialized Appraisal Instructions described in this report. The opinion of value expressed in this report is the result of, and is subject to the data and conditions described in this report.

I made a personal inspection of the property that is the subject of this report on March 19, 2009.

Name: **Stephen Shapiro, MAI**
WS Cert # 1101561

Signature: _____

Date Signed: May 5, 2009

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation

STEPHEN L. SHAPIRO, MAI

Stephen Shapiro graduated in June 1986 from the University of Washington in Seattle, Washington. He was awarded an Honors Degree as Bachelor of the Arts in Communications with a major in Journalism and a minor in Economics. Since that time he has worked as a writer, editor and research consultant specializing in land and marine resource issues. Mr. Shapiro was asked to join the firm of **Wronsky, Gibbons & Riely** in March of 1999 by Anthony Gibbons. In July of 1999 Mr. Gibbons formed Anthony Philip Gibbons PLLC, doing business under the new company name of **RE•SOLVE** – a company providing Real Estate Appraisal, Counseling and Mediation services. Mr. Shapiro joined Mr. Gibbons in his company at that time.

In his capacity as an appraiser for **Wronsky, Gibbons & Riely** and **RE•SOLVE**, Mr. Shapiro has developed a broad range of experience over a wide variety of property types. Appraisals have been performed on office and industrial buildings; commercial and industrial land; residential subdivision property; natural resource and habitat land, including timberland and wetland property; and high-end estate homes. In addition, he has provided mediation and expert witness services for legal purposes.

Mr. Shapiro is licensed as a certified general real estate appraiser by the State of Washington (license no. 1101561) and is listed on the Washington State Department of Transportation's Approved List of Appraisers and Reviewers. He was awarded the highly regarded MAI designation of the Appraisal Institute in June 2006 (member no. 12394). He has successfully completed the following Appraisal Institute courses, as well as numerous additional professional seminars:

- Appraisal Principles
- Appraisal Procedures
- Standards of Professional Appraisal Practice, Parts A and B
- Highest and Best Use and Market Analysis
- Basic Income Capitalization
- General Applications
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Advanced Income Capitalization
- Uniform Appraisal Standards for Federal Land Acquisitions
- Condemnation Appraising: Advanced Topics and Applications

Mr. Shapiro has performed appraisal services for a wide variety of clients, and a brief client list follows.

- City of Bainbridge Island
- WA State Dept. of Natural Resources
- Bainbridge Island Parks and Recreation
- Group Health Cooperative of Puget Sound
- Port of Seattle
- Cascade Land Conservancy
- U.S. Forest Service
- NC Power Systems Co.
- City University
- Trust For Public Land
- Bainbridge Island Land Trust
- The Mark A. Robinson Trusts
- Commerce Bank
- First American Title Insurance Co.
- Tulalip Tribes
- Tousley Brain Stephens PLLC
- Ryan, Swanson and Cleveland, PLLC
- Pope Resources, Inc.
- Hockett & Olsen Brothers, Inc.
- Great Peninsula Conservancy
- Central Kitsap School District
- Riddell Williams P.S.
- Whidbey Camano Land Trust
- Michael A. Goldfarb Law Office
- Lawler Burroughs & Baker, P.C.
- Harnish Group, Inc
- Development Services of America
- Preston Gates & Ellis LLP
- Pacific Investment Co.
- Column Financial
- GVA Kidder Mathews
- American Marine Bank
- Batavia Holdings LLC
- Kinzer Real Estate Services
- Knowles/Turner Real Estate Group
- Warren G. Harding Temple Board Assoc.
- GEM1 LLC
- Kitsap County Dept. of Public Works
- Washington State Parks Commission
- Livengood, Fitzgerald & Alskog PLLC
- American Eagle Communities
- McGavick Graves Attorneys at Law
- Wal-Mart
- Black Equities Group LTD
- Transnation Title Insurance Co.
- The Ketcham Family
- City of Burien
- Open Space Resources
- Kitsap Conservation District
- Lawyers Title Insurance Corp.
- Kitsap County Dept. Parks and Recreation
- McCormick Land Company
- Trammell Crow Co.
- Pike Place Market PDA
- City of Edmonds Parks and Recreation
- WA State Department of Transportation
- MacMillan-Piper, Inc.
- Port of Allyn
- Pacific Medical Center and Clinics
- Commonwealth Land Title Insurance
- Port Gamble S'Kllallam Tribe
- Madison Ave Real Estate, LLC
- Kitsap County Dept. of Admin. Services
- Olympic Property Group
- Prosperity Treatment Center
- Old Republic Title Co.
- Cullen Law Office LLP
- Port of Olympia
- Washington First International Bank
- Rogers Deutsch & Turner
- Frontier Bank
- Credit Suisse First Boston
- The Mountaineers
- Bainbridge Public Library
- GMAC Commercial Mortgage
- Farm Bureau Life Insurance Co.
- Starbucks
- Seattle Automotive Dist., Inc.
- Pacific Northwest Title Insurance Co.
- WA State Office of the Attorney General
- Aoki Sakamoto and Grant LLP
- AnMarCo
- King Count Dept. Natural Resources & Parks
- Montgomery Purdue Blankinship & Austin PLLC
- Ogden Murphy Wallace PLLC
- Puget Sound Energy
- Kenyon P. Kellogg, Attorney at Law
- Mundt MacGregor PLLC

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:25 PM
To: Nancy Buonanno-Grennan; Chip Faver; Kevin M. Howell
Cc: Shelley E. Kneip
Subject: Fwd: Gun Club Appraisal = ZERO VALUE
Attachments: 9111-Kitsap Gun Club.pdf

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "Steve Shapiro" < sshapiro@realestatesolve.com > 5/5/2009 3:10 PM >>>

Stephen Shapiro, MAI

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206-842-4887
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Stephen Shapiro, MAI
Direct Dial 206 855-1090
Email: sshapiro@realestatesolve.com

May 5, 2009

Chip Faver, Director
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

RE: Kitsap County Rifle and Revolver Club Portion of Tax Parcel # 362501-2-001-1001

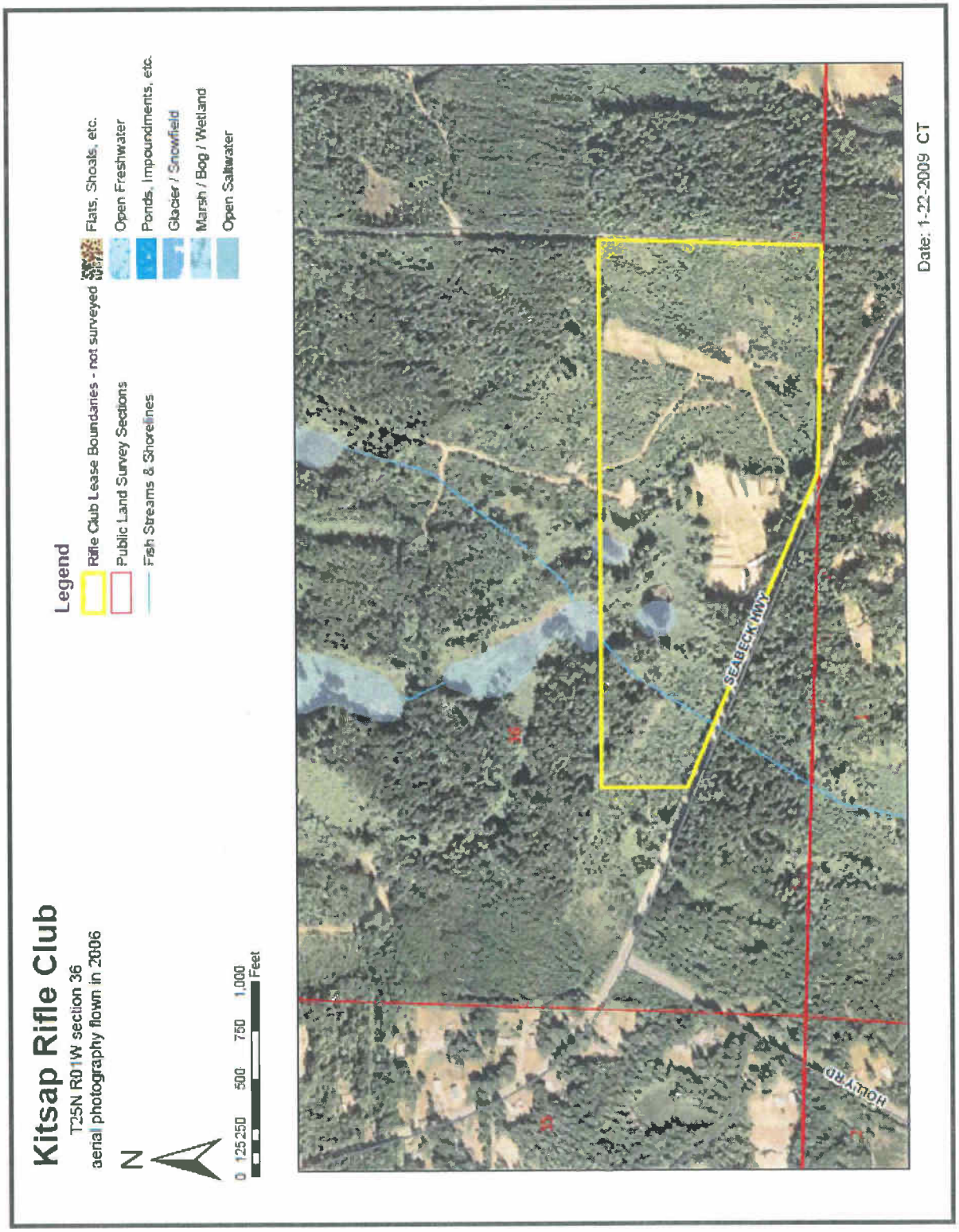
Dear Mr. Faver:

At your request, I have prepared this valuation/counseling letter with regard to the above referenced property. This letter meets the standards of a *restricted* appraisal report. The document recognizes your familiarity with the subject property and issue at hand, and thus is intended only for your use, or those you deem sufficiently knowledgeable to fully understand the contents of this evaluation. As directed, I have estimated the fee simple interest in the subject recognizing the restricted conditions of use described in the specialized appraisal instructions discussed in this report. This appraisal will be used by you for purposes of potential disposition of the property.

Identity/Location of Property

The subject is comprised of land and improvements operating as the Kitsap Rifle and Revolver Club. This includes 8 acres containing roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used to provide buffer and safety zones for lessee's shooting range. The following legal description of the subject was provided by the client. The area is depicted on the photograph on the following page.

> *Part of the Southwest quarter of the Southeast quarter and part of the Southeast quarter of the Southwest quarter of Section 36, Township 25 North, Range 1 West, W.M., lying northerly of the North lines of an easement for right of way for road granted to Kitsap County on December 7, 1929, under Application No. 1320, said road being as shown on the regulation plat thereof on file in the office of the Commissioner of Public lands at Olympia, Washington, the above described lands having an area of 72.41 acres, more or less.*



KITSAP RIFLE GUN CLUB

Purpose of Valuation and Counseling Letter

The Washington State Department of Natural Resources presently owns approximately 522 acres that includes the subject area, which is leased to the Kitsap Rifle and Revolver Club. The Kitsap County Department of Parks and Recreation has an interest in acquiring the DNR property and disposing of the 72.41 acres encompassed by the gun club. The purpose of this counseling letter is to provide a market based valuation analysis of the subject gun club area in its "as is" condition and recognizing the stipulated Specialized Appraisal Instructions discussed below.

The term "market value" is defined as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:*
>
> *a. the buyer and seller are typically motivated;*
>
> *b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
>
> *c. a reasonable time is allowed for exposure in the open market;*
>
> *d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
>
> *e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

Specialized Appraisal Instructions

The client has provided specific instructions to provide a fee simple market value for the subject recognizing any existing reservations as well as the following instructions. These instructions constitute limiting conditions that have a direct impact upon the value conclusions derived.

1. Appraise the property in an "As Is" condition.

2. Assess and state environmental liabilities associated with this land, and its historic use as a shooting range, without any indemnification provided by the seller.

3. The subject property will continue to be utilized exclusively as a short arm shooting range consistent with its historic use. Enlargement, material improvement of the activities will require land use compliance and permitting through Kitsap County Department of Community Development.

4. Require purchaser to be a non-profit organization, enabled to: maintain existing public (state) funds and (2) apply for public funds to support the historic use of the property for outdoor recreation.

5. Require purchaser and future owners to provide public access to the property for recreational use on a non-profit basis.

6. Assume liability associated with operating existing recreation facilities, specifically a shooting range.

7. The subject property is associated with an adjacent, listed Superfund site with the EPA. The Washington State Department of Ecology ranks the adjacent property a "2" on its scale of hazardous materials contamination. Site clean up work was performed in the late 1970's but more recent analysis indicates that further hazardous clean up work is needed to address lead, chromium and other contamination.

Intended Use/User

This report will be used as an aid in the potential disposition of the subject property after it is acquired by Kitsap County. The client is Chip Faver, director of the Kitsap County Department of Parks and Recreation, as well as his authorized agents, associates and employees.

Scope of Assignment

The scope of work of this assignment is to provide consultation pertaining to the potential disposition of the subject. The Uniform Standards of Professional Appraisal Practice defines "Appraisal Consulting" as follows:

> *The act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.*
>
> *An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.*

The scope of work in this assignment is associated with consultation rather than an appraisal owing to the unusual circumstance of the subject being a special use property that is heavily contamination, which does not readily lend itself to the typical valuation methodologies. This issue is discussed in greater depth in the highest and best use section of this report.

This analysis is presented in a reporting format that meets the requirements for a restricted report under USPAP guidelines. Discussions and analysis are abbreviated in this document, with supporting data retained in my files for reference.

Subject Sales History

The subject property has been under the ownership of the Washington State Department of Natural Resources for many years and there is a lease over the entire property between the State of Washington as lessor and the Kitsap Rifle and Revolver Club as lessee. This includes 8 acres containing the lessee's improvements, roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used by the lessee to provide buffer and safety zones for lessee's shooting range.

The lease commenced in March of 2003 and has a termination date of February 27, 2018. This is a net lease with a current rate of $7,200 per year, although there is a scheduled increase that has not been applied. It should be noted that section 4.03 of the lease stipulates the following caveat:

> *State reserves the right to terminate this agreement upon sixty (60) days written notice in the event the State includes the premises in a plan for higher and better use, land exchange or sale.*

This clause would allow Kitsap County to acquire the subject from Washington State unencumbered by the lease. Additionally, section 8.02(a) of the lease requires the lessee to remove all "deleterious material" at the termination of the lease or the State will do so at the lessee's expense. This effectively requires the lessee to clean the site of any material impacts that would undermine the highest and best use of the property resulting from its use as a firing range. However, it is the mutual intention of DNR and Kitsap County to transfer ownership of the subject to the latter party with the existing gun club use intact. Further, there is no requirement to clean the site of hazardous materials upon a change in ownership.

Title Report/Easements/Conditions/Restrictions

Although I have not been provided a title report for the specific subject I have been given a title report for the larger area of which the subject is a part. I am not aware of any easements, conditions, covenants or restrictions that would constrain the highest and best use of the subject, and this is an underlying assumption of this report.

Date of Appraisal

The date of this appraisal is March 19th, 2009, the most date of the subject property inspection. This report was prepared in April and May of 2009.

Property Characteristics

Location and Access

The subject property is located in central Kitsap County on the Seabeck Highway near its intersection with Holly Road. While the area immediately surrounding the subject is rural, the property is located only about 10 miles west of Bremerton, the most populous city in Kitsap County and about a dozen miles

from Port Orchard, which is the county seat. About seven miles to the northeast is Silverdale, which has the greatest concentration of retail shops and malls in the county.

Zoning

The subject's 522 acres are comprised of 2 parcels plus a portion of a third parcel adjoining to the north. These are all designated Rural Wooded (RW) in the Kitsap County zoning code. General specifications associated with this zone are as follows:

Rural Wooded Zone (RW)

Minimum Lot Size	20 Acres
Setbacks	50' Front, 20' Side/Rear
Building Height	35'
Primary Permitted Uses	Preservation of forest use while allowing for some rural residential use

The Kitsap County Zoning Ordinance describes the purpose of this zone as follows:

> *This zone is intended encourage the preservation of forest uses, retain an area's rural character and conserve the natural resources while providing for some rural residential use. This zone is further intended to discourage activities and facilities that can be considered detrimental to the maintenance of timber production.*

The primary permitted uses in the RW zone include forestland management, agriculture, parks and open space, wholesale nurseries, kennels, and residential use at a very low density. Conditional uses are limited but do include certain recreational uses. While a shooting range is not explicitly noted as an allowable use, it is assumed that the current use of the subject is a permitted conditional legal use of the property.

Land Description

The subject is an irregularly shaped 72.41 acre land area that is a portion of Kitsap County tax parcel number 362501-2-001-1001. The property has generally rolling topography with no steep areas. The property is cleared in the 8 acre shooting range area and has timber cover in the 72 acre buffer area. I am unaware of any critical areas on the subject. I have been provided a timber valuation of the entire DNR property by the firm of S. A. Newman , Forest Engineers, indicating that are is $1,258,00 of merchantable timber value over the entire 522 acre tax parcel. This amounts to about $2,410/acre. I have not been provided any timber valuation for the subject portion of the total property. However, applying the average timber value per acre suggests there is approximately $175,000 of merchantable timber value on the subject.

Utilities

All utilities are presently available to the subject including electricity and phone. Water is provided by an on-site well and waste is handled by a septic system.

Subject Improvements

The subject is improved as a shooting range that has been operated as the Kitsap Rifle and Revolver Club since 1926. It is minimally improved with infrastructure associated with the shooting range. This includes several portable buildings and covered shooting platforms.

Hazardous Materials

It is well known that the approximately 8 acres of the subject that has been used as a shooting range for the past 83 years is contaminated with lead from spent ammunition lodged in the soil. To my knowledge there has never been any hazardous conditions assessment of the subject property or any estimate of the cost to clean it up. Clearly, the potential cost and risk of liability associated with the cleanup of the subject would be a significant value consideration in the mind of any prospective buyer of the property. In support of this I have provided the following documentation pertaining to evidence of hazardous material associated with shooting ranges as well as clean up costs.

Metallic lead shot is the most common ammunition used in shooting ranges owing to its low cost, ease of reloading and good firing characteristics. Lead is a known pollutant that has been closely monitored by the Environmental Protection Agency for many years as a hazardous trace material in paint, gasoline, plumbing pipes and other consumer products including food. In its solid form as lead shot at a firing range it can enter the environment as dust particles and dissolved in ground water. Thus, it is associated with grasses and plants ingested by animals as well as surface drinking water used by animals and groundwater that may be used by people. In its dissolved state lead pollution can infiltrate areas well outside the local firing range through surface run off and ground water percolation.

Research indicates that lead is the most prevalent contaminant found at federal Superfund sites across the country. Recognition of its significant environmental and health threats have resulted in enacting federal and state laws requiring clean up under most circumstances. Interestingly, private firing ranges remain exempt from federal law owing to owing to an interpretation by the EPA that the act of firing bullets does not qualify as "discarding" them. However, state law pertaining to the clean of lead material from firing ranges may apply.

According to Donna Musa of the Washington State Department of Ecology Toxic Cleanup Program, suspected contamination on a particular site does not constitute a requirement to investigate hazardous conditions or clean up any such materials. Typically, investigation into hazardous conditions is triggered by someone concerned about being subjected to such contamination or when contamination has been found to migrate from its source to neighboring property. In these instances Washington State requires an assessment to rank a potentially hazardous site, but only requires clean up of those designated as falling in the top tier of potential environmental threats.

Since firing ranges tend to be in relatively remote areas and are often frequented by local inhabitants, they are not usually the subject of such complaints. Ms. Musa noted that a change of ownership would not trigger a clean up requirement. Further, Washington State law does not stipulate that a change of use would necessarily trigger a clean up requirement. However, if the use of a property was changed in such a manner that the hazardous material posed an obvious threat under, it almost certainly would require consideration of cleanup. This would likely pertain to most, if not all, alternate uses of the subject firing range allowable under the existing zone such as residential, agricultural, plant nursery and kennels.

The fact that the subject is not presently a candidate for an assessment of toxic materials does not mean that this may not occur some time in the future. Although I am not a legal expert and cannot opine as to who might bear responsibility for clean up of the subject, I have been provided a specific instruction by the client that no indemnification of such responsibility would be provided by the seller to any potential buyer. Thus, there is clearly some element of risk associated with acquisition of this contaminated site.

The cost of cleanup for shooting ranges can be significant. A local example is Camp Wesley Harris, which lies adjacent to the subject's eastern boundary. This 387 acre Naval shooting range has operated rifle and hand gun ranges since around 1930. Around 1980 the U.S. Navy initiated an assessment of the toxic materials and the Washington State Department of Ecology performed a hazardous waste examination of this site that resulted in approximately $3 million of clean up during 1987 and 1988. The primary contaminants were lead and chromium lodged in the soils and diluted in shallow groundwater. According to John Kiess with the Kitsap County Health District, who participated in this assessment, the cleanup area on Camp Wesley Harris was fairly similar in size and use as the Kitsap Rifle and Revolver Club.

Two other examples of the cost to clean up shooting ranges pertain to the Sharp Park Rifle Range that was owned and operated by the City of San Francisco and the gun range at Huntington Central Park in Huntington Beach, CA. The former was a 6 acre site that operated as a firing range from 1952-1988. In 2007 the City of San Francisco commissioned a study to determine clean up costs. The report determined that it would cost between $2.5-$4.5 million to excavate and remove all toxic materials. The Huntington Beach site covered about 5 acres and the estimated cost of cleanup is currently $1.5-$3 million according to city officials.

With respect valuation of the Kitsap Rifle and Revolver Club I have not been provided any cost estimate regarding the potential cleanup of the property. However, given the likely extent of contamination and the need for an "as is, where is" appraisal, it is necessary to estimate the potential liability that would result from a clean up requirement. Based upon the information discussed above, I have concluded that cleanup of the subject site would very likely have a present day cost of at least $2 million and a high probability that the cost would be on the order of $3 million.

Highest and Best Use

"Highest & Best Use" is defined by The Appraisal Institute as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest*

value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility and maximum profitability."

Source: The Dictionary of Real Estate Appraisal, Third Edition, Copyright 1993, published by the Appraisal Institute.

The highest and best use analysis provides the foundation for a value conclusion by identifying the specific market position of a subject and thereby specifying appropriate market comparisons for it, as well as the relevant approaches to value. It is governed by consideration of the property's legal, physical and economic potential. If the property is improved, the process requires separate analysis of the land as though vacant and the land as improved. This provides the basis for a conclusion as to whether the improvements adequately contribute to overall value as to continue to be the preferred use, or whether an alternate use would better support the land value. In this instance, the subject property is improved as a small arms firing range and the instructions to the appraiser specify that it is to be valued in it's "as is" condition. Thus, a highest and best use analysis of the subject as if vacant is not appropriate and has not been provided.

Highest & Best Use "As Is"

The highest and best use of the subject is governed first by what is legally feasible. As previously discussed the subject's RW zone would allow for single family residential development at a density of one dwelling unit per 20 acres. This would nominally allow for three development rights. However, the Specialized Appraisal Instructions provided by the client effectively limit the use of the property to a short arms shooting range that must be open to the public and operated on a non-profit basis by an owner who is qualified to accept public funds.

With respect to physical possibility the subject has historically been used as a firing range for more than 80 years. It has ample room to support a firing range with a large buffer safety area from surrounding uses. The property is located in a rural area of Kitsap County with very low residential development potential but is also situated on a paved highway within a short distance of Bremerton, Port Orchard and Silverdale. These factors suggest that the property would provide good access to a large number of people in its current use while at the same time creating a relatively small noise nuisance impact.

Based upon the foregoing factors the highest and best use of the subject is concluded to be continued operation of the property as improved for use as a firing range that is open to the public and operated on a non-profit basis.

Meanwhile, circumstances resulting from the presence of hazardous waste and the special instruction stipulating that a buyer of the property would not be indemnified from any responsibility of cleaning up toxic contamination make it necessary to look beyond the presumed highest and best use as if in a benign condition to an examination in its "as is" condition. Such consideration specifically revolves around the possibility that at some future time it would be necessary to pay for clean up of toxic material on the property.

In light of the discussion above, it appears that the salient question regarding highest and best use is whether a gun club operating on a non-profit basis would contribute sufficient economic value to supersede the risk associated with the possible cost to cure the contamination at some time in the future? Obviously, the meaning of "risk" assumes that there is no conclusive answer. However, there are some indications in this regard that are pertinent to a valuation based on risk assessment. These include a probable current cost to cure the subject's contamination from $2- $3 million. While it is not possible to predict the exact duration required for cleanup, given that the nature of the contamination pervades into the soil and aquifer it may take years to remediate and it is possible that the costs may escalate beyond present day projections. Finally, there is no certainty that any previous owners of the property would share responsibility for cleanup.

Assessing the impact of contamination on the site is obviously complicated by the fact that it is unknown when and if such cleanup will be required. Further, the cost of hazardous waste cleanup as well as the extent of liability among parties who may have held title to the property at one time or another is notorious for its lack of predictability. For that reason, projecting how these may impact the subject's ultimate value becomes a matter of risk analysis. Where good sales comparison data exists, the appraiser can make direct market comparisons to derive the value of a given property in its existing condition. Not surprisingly, however, I did not find sales of contaminated firing ranges in the subject's market area. The difficulty of finding suitable sales comparisons has resulted in reliance upon the income capitalization approach as the primary means to valuation in this instance. This approach implicitly recognizes the risk associated with achieving a market return on investment in a given property through application of an appropriate capitalization rate. In this instance the rate of return should reflect the following issues:

- The possibility that the ultimate cost of cleanup may be higher than the present day estimate.
- The difficulty in placing a specific time period upon remediation of contamination.
- The level of confidence that cleanup technology and procedures exist that can result in a complete cleanup that will require no further action.
- The possibility that market stigma will be attached to the property even if cleanup does not impair present day operations and liability does not extend beyond the present owner.

The analysis that follows first considers the value of the subject through the income capitalization approach under use as a non-profit firing range that utilizes state funding. The second step in the analysis considers an appropriate discount to that value based upon the risk that a prospective buyer would be required to clean up the contamination on the property at some time in the future.

Land Valuation Analysis

Land valuation analyses are typically based upon the precepts of "market value" as this implicitly considers what the most likely potential buyer of a property would pay in order to generate the highest economic return. However, in this instance the Specialized Appraisal Instructions limit the use of the property to a firing range, and even that utilization of the property is further constrained by requirements that it be operated on a non-profit basis by a party accepting state funds. *The Appraisal of Real Estate*

(12th Edition), which is a comprehensive text published by the Appraisal Institute, provides the following guidance pertaining to valuing such properties:

> *When appraising a type of property that is not commonly exchanged or rent, it may be difficult to determine whether an opinion of market value can be reasonably supported. Such limited-market properties can cause special problems for appraisers. A limited-market property is a property that has relatively few potential buyers at a particular time. Many limited-market properties include structures with unique designs, special construction material, or layouts that restrict their utility to the use for which they were originally built. These properties have limited conversion potential and, consequently, are often called special-purpose or special-design properties. Examples of such properties include houses of worship, museums, schools, public buildings and clubhouses.*
>
> *Limited-market properties may be appraised based on their current use or the mostly likely alternative use. Due to the relatively small markets and lengthy market exposure needed to sell such properties, there may be little evidence to support an opinion of market value based on their current use. The distinction between market properties and limited-market properties is subject to the availability of relevant market data. If a market exists for a limited-market property, the appraiser must search diligently for whatever evidence of market value is available.*
>
> *If a property's current use is so specialized that there is no demonstrable market for it but the use is viable and likely to continue, the appraiser may render an opinion of use value if the assignment reasonably permits a type of value other than market value. If no market can be demonstrated of if the data is not available, the appraiser cannot develop an opinion of market value and should state so in the appraisal report. It is sometimes necessary to render an opinion of market value in these situations for legal purposes, however. In these cases, the appraiser must comply with the legal requirement, relying on personal judgment and whatever direct market evidence is available. Note that the type of value developed is not dictated by the property type, the size or viability of the market, or the ease with which that value can be developed; rather, the intended use of the appraisal determines the type of value to be developed. If the client needs a market value opinion, the appraiser must develop an opinion of market value, not use value.*

In this instance the client has provided very specific instructions limiting the use to a single application but has also directed the appraiser to provide an opinion of market value. Thus, in keeping with the direction provided above, I had relied upon personal judgment as well as whatever market evidence is available in deriving a value conclusion for the subject.

The direct income capitalization methodology is an approach that equates the net operating income of a property over one year of operation to total property value through the application of a market based capitalization rate that implicitly accounts for the risk associated with continuing to generate stabilized income over the life of the investment. In this instance, the subject is appraised as a non-profit operation. Discussion with Kevin Howell of the Kitsap County Prosecutor's Office and Matthew Keough of the

Kitsap County Department of Parks and Recreation suggest that the non-profit status eliminates the ability to generate any net operating income because fees can only be charged that are commensurate with the costs of maintenance and operation. This would effectively reduce the net operating income to zero for a passive investor in the property who does not intend to have a management role.

However, a non-profit organization can pay salaries to its employees. Thus, if the property was purchased by a prospective owner who intended to operate the firing range himself, the salary generated could be construed as income. This latter scenario suggests that even given the strict limitations on the use of the property, there may be prospective buyers willing to pay a lump sum purchase price for the opportunity to generate a salary over their term of ownership.

The amount that such a prospective buyer might pay is a function of the risk associated with the security of the income stream. For purposes of this analysis I have relied upon personal conjecture as well as market evidence to first derive an estimate of the subject's market value *without any consideration of contamination impact*. The impact of toxic waste upon value is then considered in a separate step of the analysis.

The analysis begins with an assumption of a reasonable salary that a potential buyer of the subject could anticipate generating through operation of a firing range. I have put this at $100,000 annually. Since all other funds generating would necessarily go to the operation and maintenance of the firing range (including any other salaries that might be paid) the owner's salary effectively represents the annual net operating income. According to the Korpacz Real Estate Investor Survey (a division of Price Waterhouse Coopers), capitalization rates for investment grade real estate in the Pacific Northwest ranged from 6.5%-11% in the first quarter of 2009. Assuming that the security of this investment entails more or less average risk I have applied a 9% rate of return to the income noted above which results in a total value indication for the subject of around $1,100,000.

While a prospective buyer of the subject might be willing to pay on the order of $1,100,000 to generate an annual income stream of $100,000 assuming typical market risk, consideration of the subject's contamination adds significant uncertainty to the security of that income stream. As discussed above, the current cost to cure all of the contamination on the subject is expected to be around $2-$3 million. Since it is a specific instruction of this appraisal that no indemnity would be granted to a buyer of the property, that person would be expected to absorb most, if not all, of the remediation costs. The next questions are if and when such a liability would be exacted.

As previously discussed the subject is not presently on the Washington State Department of Ecology's list of contaminated sites slated for cleanup, and to my knowledge there has never been any assessment of toxic materials on the subject. However, given its use as a firing range for nearly a century it is common knowledge that the site is heavily contaminated. Further, the adjoining Camp Wesley Harris site, which has a very similar history of use as the subject, has been placed upon the State's list of toxic sites and has already undergone some cleanup at considerable expense. It would be very logical to conclude that at some point the subject would also become a viable candidate for cleanup, and thus it would seem that the issue is much more a matter of "when" than "if."

With regard to the timing impact of any potential requirement to clean up the subject the following analysis is germane. At a price of $1,100,000 and an annual income of $100,000 it would nominally require 11 years to recoup the capital investment. However, adding the cost of cleanup at $2 million (which is the low end of the estimate) would add additional 20 years. Obviously, this is a highly simplistic analysis that ignores additional inputs such as inflation, a potential increase in annual income and a potential increase in the cost of cleanup over time. However, it very clearly illustrates that the looming liability of curing the subject's contamination would undermine much, if not all, of the economic benefit to be derived from the subject. While it is difficult to project when the DOE might require cleanup of the subject, it is not unreasonable to presume that changes in land use in this area over the next 20 years will very likely include increased residential development density with a reliance upon ground sources of drinking water that would promulgate such action. Ultimately, this raises a very strong question as to why a prospective buyer would pay $1,000,000 to secure such a risky income stream when that money could be put to other far less risky income producing real estate ventures.

Based upon the foregoing analysis it is my conclusion that the market value of the subject is effectively zero. This does not necessarily suggest that there is not a prospective buyer willing to pay some amount of cash for the subject. However, that buyer would not be acting to obtain the maximal return on investment that is essential to the concept of market value. Rather, such a purchase would be predicated upon "use value" that considers the value of a particular property in a particular use irrespective of any value that might be derived from alternate uses of that property or an investment in another property that would reap a positive economic return.

Subject Market Value As Is & Recognizing Specialized Appraisal Instructions **$0**

Effective Date of Value

March 19, 2009.

Closing

If you have any further questions or concerns, please do not hesitate to call.

Sincerely,

Stephen Shapiro, MAI

Ref: 9111

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this appraisal are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conclusions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the obtainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Cope of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property.
- This appraisal has been made in conformity with the appropriate State and Federal laws and requirements, and complies with the contract between the agency and the appraiser;
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by authorized representatives.
- As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute.
Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

The property has been appraised for its fair market value as though owned in fee simple and encumbered by the Specialized Appraisal Instructions described in this report. The opinion of value expressed in this report is the result of, and is subject to the data and conditions described in this report.

I made a personal inspection of the property that is the subject of this report on March 19, 2009.

Name: **Stephen Shapiro, MAI**
WS Cert # 1101561

Signature: _____

Date Signed: May 5, 2009

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation

STEPHEN L. SHAPIRO, MAI

Stephen Shapiro graduated in June 1986 from the University of Washington in Seattle, Washington. He was awarded an Honors Degree as Bachelor of the Arts in Communications with a major in Journalism and a minor in Economics. Since that time he has worked as a writer, editor and research consultant specializing in land and marine resource issues. Mr. Shapiro was asked to join the firm of **Wronsky, Gibbons & Riely** in March of 1999 by Anthony Gibbons. In July of 1999 Mr. Gibbons formed Anthony Philip Gibbons PLLC, doing business under the new company name of **RE•SOLVE** – a company providing Real Estate Appraisal, Counseling and Mediation services. Mr. Shapiro joined Mr. Gibbons in his company at that time.

In his capacity as an appraiser for **Wronsky, Gibbons & Riely** and **RE•SOLVE**, Mr. Shapiro has developed a broad range of experience over a wide variety of property types. Appraisals have been performed on office and industrial buildings; commercial and industrial land; residential subdivision property; natural resource and habitat land, including timberland and wetland property; and high-end estate homes. In addition, he has provided mediation and expert witness services for legal purposes.

Mr. Shapiro is licensed as a certified general real estate appraiser by the State of Washington (license no. 1101561) and is listed on the Washington State Department of Transportation's Approved List of Appraisers and Reviewers. He was awarded the highly regarded MAI designation of the Appraisal Institute in June 2006 (member no. 12394). He has successfully completed the following Appraisal Institute courses, as well as numerous additional professional seminars:

- Appraisal Principles
- Appraisal Procedures
- Standards of Professional Appraisal Practice, Parts A and B
- Highest and Best Use and Market Analysis
- Basic Income Capitalization
- General Applications
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Advanced Income Capitalization
- Uniform Appraisal Standards for Federal Land Acquisitions
- Condemnation Appraising: Advanced Topics and Applications

Mr. Shapiro has performed appraisal services for a wide variety of clients, and a brief client list follows.

- City of Bainbridge Island
- WA State Dept. of Natural Resources
- Bainbridge Island Parks and Recreation
- Group Health Cooperative of Puget Sound
- Port of Seattle
- Cascade Land Conservancy
- U.S. Forest Service
- NC Power Systems Co.
- City University
- Trust For Public Land
- Bainbridge Island Land Trust
- The Mark A. Robinson Trusts
- Commerce Bank
- First American Title Insurance Co.
- Tulalip Tribes
- Tousley Brain Stephens PLLC
- Ryan, Swanson and Cleveland, PLLC
- Pope Resources, Inc.
- Hockett & Olsen Brothers, Inc.
- Great Peninsula Conservancy
- Central Kitsap School District
- Riddell Williams P.S.
- Whidbey Camano Land Trust
- Michael A. Goldfarb Law Office
- Lawler Burroughs & Baker, P.C.
- Harnish Group, Inc
- Development Services of America
- Preston Gates & Ellis LLP
- Pacific Investment Co.
- Column Financial
- GVA Kidder Mathews
- American Marine Bank
- Batavia Holdings LLC
- Kinzer Real Estate Services
- Knowles/Turner Real Estate Group
- Warren G. Harding Temple Board Assoc.
- GEM1 LLC
- Kitsap County Dept. of Public Works
- Washington State Parks Commission
- Livengood, Fitzgerald & Alskog PLLC
- American Eagle Communities
- McGavick Graves Attorneys at Law
- Wal-Mart
- Black Equities Group LTD
- Transnation Title Insurance Co.
- The Ketcham Family
- City of Burien
- Open Space Resources
- Kitsap Conservation District
- Lawyers Title Insurance Corp.
- Kitsap County Dept. Parks and Recreation
- McCormick Land Company
- Trammell Crow Co.
- Pike Place Market PDA
- City of Edmonds Parks and Recreation
- WA State Department of Transportation
- MacMillan-Piper, Inc.
- Port of Allyn
- Pacific Medical Center and Clinics
- Commonwealth Land Title Insurance
- Port Gamble S'Kllallam Tribe
- Madison Ave Real Estate, LLC
- Kitsap County Dept. of Admin. Services
- Olympic Property Group
- Prosperity Treatment Center
- Old Republic Title Co.
- Cullen Law Office LLP
- Port of Olympia
- Washington First International Bank
- Rogers Deutsch & Turner
- Frontier Bank
- Credit Suisse First Boston
- The Mountaineers
- Bainbridge Public Library
- GMAC Commercial Mortgage
- Farm Bureau Life Insurance Co.
- Starbucks
- Seattle Automotive Dist., Inc.
- Pacific Northwest Title Insurance Co.
- WA State Office of the Attorney General
- Aoki Sakamoto and Grant LLP
- AnMarCo
- King Count Dept. Natural Resources & Parks
- Montgomery Purdue Blankinship & Austin PLLC
- Ogden Murphy Wallace PLLC
- Puget Sound Energy
- Kenyon P. Kellogg, Attorney at Law
- Mundt MacGregor PLLC

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:29 PM
To: Tracey L. Hamilton-Oril
Subject: Fwd: Gun Club Appraisal = ZERO VALUE
Attachments: Fwd: Gun Club Appraisal = ZERO VALUE

[redacted]

Thanks.

Don Burger

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[redacted]

Thanks.

RE•SOLVE

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Email: sshapiro@realestatesolve.com

May 5, 2009

Chip Faver, Director
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

RE: Kitsap County Rifle and Revolver Club Portion of Tax Parcel # 362501-2-001-1001

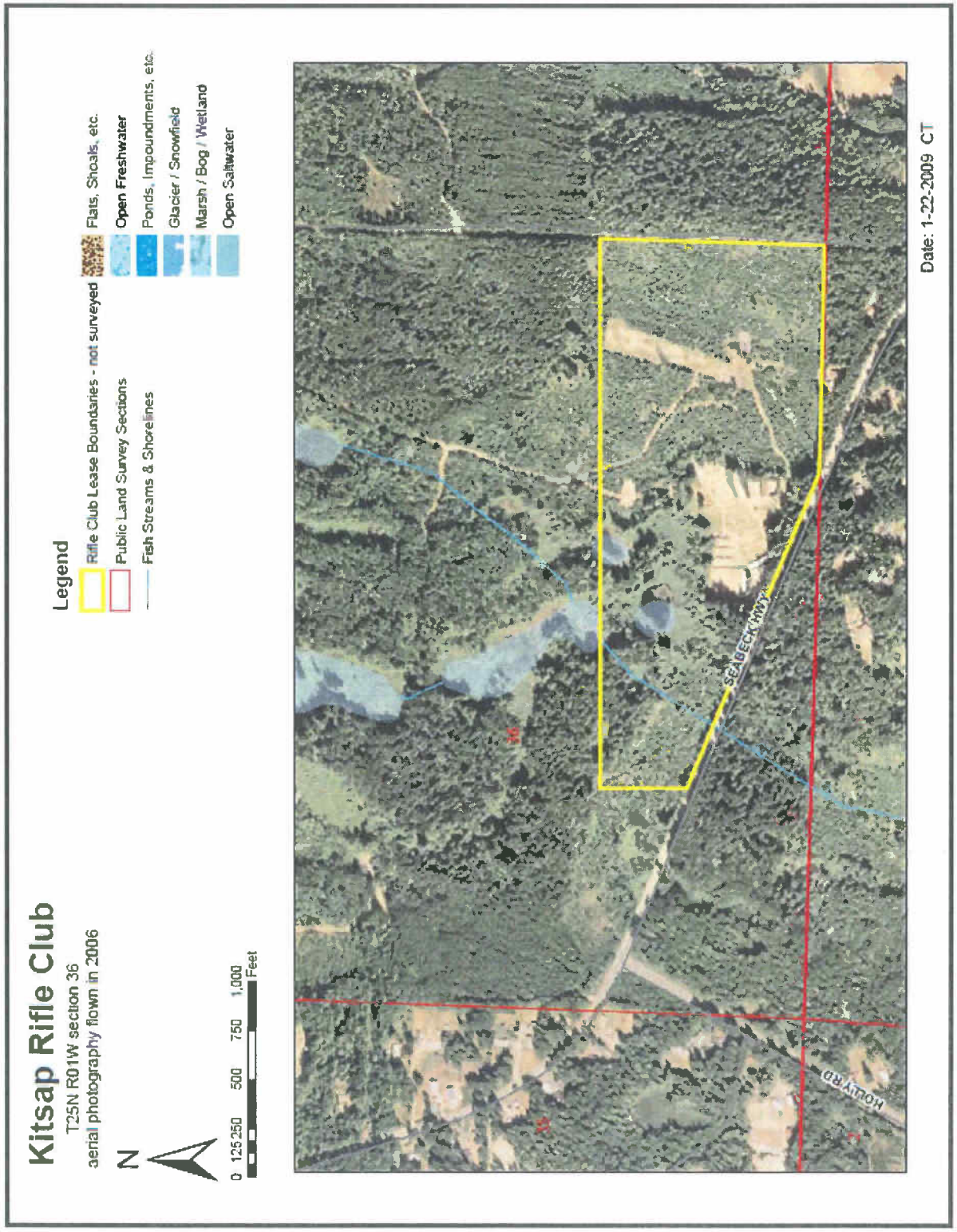
Dear Mr. Faver:

At your request, I have prepared this valuation/counseling letter with regard to the above referenced property. This letter meets the standards of a *restricted* appraisal report. The document recognizes your familiarity with the subject property and issue at hand, and thus is intended only for your use, or those you deem sufficiently knowledgeable to fully understand the contents of this evaluation. As directed, I have estimated the fee simple interest in the subject recognizing the restricted conditions of use described in the specialized appraisal instructions discussed in this report. This appraisal will be used by you for purposes of potential disposition of the property.

Identity/Location of Property

The subject is comprised of land and improvements operating as the Kitsap Rifle and Revolver Club. This includes 8 acres containing roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used to provide buffer and safety zones for lessee's shooting range. The following legal description of the subject was provided by the client. The area is depicted on the photograph on the following page.

> *Part of the Southwest quarter of the Southeast quarter and part of the Southeast quarter of the Southwest quarter of Section 36, Township 25 North, Range 1 West, W.M., lying northerly of the North lines of an easement for right of way for road granted to Kitsap County on December 7, 1929, under Application No. 1320, said road being as shown on the regulation plat thereof on file in the office of the Commissioner of Public lands at Olympia, Washington, the above described lands having an area of 72.41 acres, more or less.*



KITSAP RIFLE GUN CLUB

Purpose of Valuation and Counseling Letter

The Washington State Department of Natural Resources presently owns approximately 522 acres that includes the subject area, which is leased to the Kitsap Rifle and Revolver Club. The Kitsap County Department of Parks and Recreation has an interest in acquiring the DNR property and disposing of the 72.41 acres encompassed by the gun club. The purpose of this counseling letter is to provide a market based valuation analysis of the subject gun club area in its "as is" condition and recognizing the stipulated Specialized Appraisal Instructions discussed below.

The term "market value" is defined as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:*
>
> *a. the buyer and seller are typically motivated;*
>
> *b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
>
> *c. a reasonable time is allowed for exposure in the open market;*
>
> *d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
>
> *e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

Specialized Appraisal Instructions

The client has provided specific instructions to provide a fee simple market value for the subject recognizing any existing reservations as well as the following instructions. These instructions constitute limiting conditions that have a direct impact upon the value conclusions derived.

1. Appraise the property in an "As Is" condition.

2. Assess and state environmental liabilities associated with this land, and its historic use as a shooting range, without any indemnification provided by the seller.

3. The subject property will continue to be utilized exclusively as a short arm shooting range consistent with its historic use. Enlargement, material improvement of the activities will require land use compliance and permitting through Kitsap County Department of Community Development.

4. Require purchaser to be a non-profit organization, enabled to: maintain existing public (state) funds and (2) apply for public funds to support the historic use of the property for outdoor recreation.

5. Require purchaser and future owners to provide public access to the property for recreational use on a non-profit basis.

6. Assume liability associated with operating existing recreation facilities, specifically a shooting range.

7. The subject property is associated with an adjacent, listed Superfund site with the EPA. The Washington State Department of Ecology ranks the adjacent property a "2" on its scale of hazardous materials contamination. Site clean up work was performed in the late 1970's but more recent analysis indicates that further hazardous clean up work is needed to address lead, chromium and other contamination.

Intended Use/User

This report will be used as an aid in the potential disposition of the subject property after it is acquired by Kitsap County. The client is Chip Faver, director of the Kitsap County Department of Parks and Recreation, as well as his authorized agents, associates and employees.

Scope of Assignment

The scope of work of this assignment is to provide consultation pertaining to the potential disposition of the subject. The Uniform Standards of Professional Appraisal Practice defines "Appraisal Consulting" as follows:

> *The act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.*
>
> *An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.*

The scope of work in this assignment is associated with consultation rather than an appraisal owing to the unusual circumstance of the subject being a special use property that is heavily contamination, which does not readily lend itself to the typical valuation methodologies. This issue is discussed in greater depth in the highest and best use section of this report.

This analysis is presented in a reporting format that meets the requirements for a restricted report under USPAP guidelines. Discussions and analysis are abbreviated in this document, with supporting data retained in my files for reference.

Subject Sales History

The subject property has been under the ownership of the Washington State Department of Natural Resources for many years and there is a lease over the entire property between the State of Washington as lessor and the Kitsap Rifle and Revolver Club as lessee. This includes 8 acres containing the lessee's improvements, roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used by the lessee to provide buffer and safety zones for lessee's shooting range.

The lease commenced in March of 2003 and has a termination date of February 27, 2018. This is a net lease with a current rate of $7,200 per year, although there is a scheduled increase that has not been applied. It should be noted that section 4.03 of the lease stipulates the following caveat:

> *State reserves the right to terminate this agreement upon sixty (60) days written notice in the event the State includes the premises in a plan for higher and better use, land exchange or sale.*

This clause would allow Kitsap County to acquire the subject from Washington State unencumbered by the lease. Additionally, section 8.02(a) of the lease requires the lessee to remove all "deleterious material" at the termination of the lease or the State will do so at the lessee's expense. This effectively requires the lessee to clean the site of any material impacts that would undermine the highest and best use of the property resulting from its use as a firing range. However, it is the mutual intention of DNR and Kitsap County to transfer ownership of the subject to the latter party with the existing gun club use intact. Further, there is no requirement to clean the site of hazardous materials upon a change in ownership.

Title Report/Easements/Conditions/Restrictions

Although I have not been provided a title report for the specific subject I have been given a title report for the larger area of which the subject is a part. I am not aware of any easements, conditions, covenants or restrictions that would constrain the highest and best use of the subject, and this is an underlying assumption of this report.

Date of Appraisal

The date of this appraisal is March 19th, 2009, the most date of the subject property inspection. This report was prepared in April and May of 2009.

Property Characteristics

Location and Access

The subject property is located in central Kitsap County on the Seabeck Highway near its intersection with Holly Road. While the area immediately surrounding the subject is rural, the property is located only about 10 miles west of Bremerton, the most populous city in Kitsap County and about a dozen miles

from Port Orchard, which is the county seat. About seven miles to the northeast is Silverdale, which has the greatest concentration of retail shops and malls in the county.

Zoning

The subject's 522 acres are comprised of 2 parcels plus a portion of a third parcel adjoining to the north. These are all designated Rural Wooded (RW) in the Kitsap County zoning code. General specifications associated with this zone are as follows:

Rural Wooded Zone (RW)

Minimum Lot Size	20 Acres
Setbacks	50' Front, 20' Side/Rear
Building Height	35'
Primary Permitted Uses	Preservation of forest use while allowing for some rural residential use

The Kitsap County Zoning Ordinance describes the purpose of this zone as follows:

> *This zone is intended encourage the preservation of forest uses, retain an area's rural character and conserve the natural resources while providing for some rural residential use. This zone is further intended to discourage activities and facilities that can be considered detrimental to the maintenance of timber production.*

The primary permitted uses in the RW zone include forestland management, agriculture, parks and open space, wholesale nurseries, kennels, and residential use at a very low density. Conditional uses are limited but do include certain recreational uses. While a shooting range is not explicitly noted as an allowable use, it is assumed that the current use of the subject is a permitted conditional legal use of the property.

Land Description

The subject is an irregularly shaped 72.41 acre land area that is a portion of Kitsap County tax parcel number 362501-2-001-1001. The property has generally rolling topography with no steep areas. The property is cleared in the 8 acre shooting range area and has timber cover in the 72 acre buffer area. I am unaware of any critical areas on the subject. I have been provided a timber valuation of the entire DNR property by the firm of S. A. Newman , Forest Engineers, indicating that are is $1,258,00 of merchantable timber value over the entire 522 acre tax parcel. This amounts to about $2,410/acre. I have not been provided any timber valuation for the subject portion of the total property. However, applying the average timber value per acre suggests there is approximately $175,000 of merchantable timber value on the subject.

Utilities

All utilities are presently available to the subject including electricity and phone. Water is provided by an on-site well and waste is handled by a septic system.

Subject Improvements

The subject is improved as a shooting range that has been operated as the Kitsap Rifle and Revolver Club since 1926. It is minimally improved with infrastructure associated with the shooting range. This includes several portable buildings and covered shooting platforms.

Hazardous Materials

It is well known that the approximately 8 acres of the subject that has been used as a shooting range for the past 83 years is contaminated with lead from spent ammunition lodged in the soil. To my knowledge there has never been any hazardous conditions assessment of the subject property or any estimate of the cost to clean it up. Clearly, the potential cost and risk of liability associated with the cleanup of the subject would be a significant value consideration in the mind of any prospective buyer of the property. In support of this I have provided the following documentation pertaining to evidence of hazardous material associated with shooting ranges as well as clean up costs.

Metallic lead shot is the most common ammunition used in shooting ranges owing to its low cost, ease of reloading and good firing characteristics. Lead is a known pollutant that has been closely monitored by the Environmental Protection Agency for many years as a hazardous trace material in paint, gasoline, plumbing pipes and other consumer products including food. In its solid form as lead shot at a firing range it can enter the environment as dust particles and dissolved in ground water. Thus, it is associated with grasses and plants ingested by animals as well as surface drinking water used by animals and groundwater that may be used by people. In its dissolved state lead pollution can infiltrate areas well outside the local firing range through surface run off and ground water percolation.

Research indicates that lead is the most prevalent contaminant found at federal Superfund sites across the country. Recognition of its significant environmental and health threats have resulted in enacting federal and state laws requiring clean up under most circumstances. Interestingly, private firing ranges remain exempt from federal law owing to owing to an interpretation by the EPA that the act of firing bullets does not qualify as "discarding" them. However, state law pertaining to the clean of lead material from firing ranges may apply.

According to Donna Musa of the Washington State Department of Ecology Toxic Cleanup Program, suspected contamination on a particular site does not constitute a requirement to investigate hazardous conditions or clean up any such materials. Typically, investigation into hazardous conditions is triggered by someone concerned about being subjected to such contamination or when contamination has been found to migrate from its source to neighboring property. In these instances Washington State requires an assessment to rank a potentially hazardous site, but only requires clean up of those designated as falling in the top tier of potential environmental threats.

Since firing ranges tend to be in relatively remote areas and are often frequented by local inhabitants, they are not usually the subject of such complaints. Ms. Musa noted that a change of ownership would not trigger a clean up requirement. Further, Washington State law does not stipulate that a change of use would necessarily trigger a clean up requirement. However, if the use of a property was changed in such a manner that the hazardous material posed an obvious threat under, it almost certainly would require consideration of cleanup. This would likely pertain to most, if not all, alternate uses of the subject firing range allowable under the existing zone such as residential, agricultural, plant nursery and kennels.

The fact that the subject is not presently a candidate for an assessment of toxic materials does not mean that this may not occur some time in the future. Although I am not a legal expert and cannot opine as to who might bear responsibility for clean up of the subject, I have been provided a specific instruction by the client that no indemnification of such responsibility would be provided by the seller to any potential buyer. Thus, there is clearly some element of risk associated with acquisition of this contaminated site.

The cost of cleanup for shooting ranges can be significant. A local example is Camp Wesley Harris, which lies adjacent to the subject's eastern boundary. This 387 acre Naval shooting range has operated rifle and hand gun ranges since around 1930. Around 1980 the U.S. Navy initiated an assessment of the toxic materials and the Washington State Department of Ecology performed a hazardous waste examination of this site that resulted in approximately $3 million of clean up during 1987 and 1988. The primary contaminants were lead and chromium lodged in the soils and diluted in shallow groundwater. According to John Kiess with the Kitsap County Health District, who participated in this assessment, the cleanup area on Camp Wesley Harris was fairly similar in size and use as the Kitsap Rifle and Revolver Club.

Two other examples of the cost to clean up shooting ranges pertain to the Sharp Park Rifle Range that was owned and operated by the City of San Francisco and the gun range at Huntington Central Park in Huntington Beach, CA. The former was a 6 acre site that operated as a firing range from 1952-1988. In 2007 the City of San Francisco commissioned a study to determine clean up costs. The report determined that it would cost between $2.5-$4.5 million to excavate and remove all toxic materials. The Huntington Beach site covered about 5 acres and the estimated cost of cleanup is currently $1.5-$3 million according to city officials.

With respect valuation of the Kitsap Rifle and Revolver Club I have not been provided any cost estimate regarding the potential cleanup of the property. However, given the likely extent of contamination and the need for an "as is, where is" appraisal, it is necessary to estimate the potential liability that would result from a clean up requirement. Based upon the information discussed above, I have concluded that cleanup of the subject site would very likely have a present day cost of at least $2 million and a high probability that the cost would be on the order of $3 million.

Highest and Best Use

"Highest & Best Use" is defined by The Appraisal Institute as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest*

value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility and maximum profitability."

Source: The Dictionary of Real Estate Appraisal, Third Edition, Copyright 1993, published by the Appraisal Institute.

The highest and best use analysis provides the foundation for a value conclusion by identifying the specific market position of a subject and thereby specifying appropriate market comparisons for it, as well as the relevant approaches to value. It is governed by consideration of the property's legal, physical and economic potential. If the property is improved, the process requires separate analysis of the land as though vacant and the land as improved. This provides the basis for a conclusion as to whether the improvements adequately contribute to overall value as to continue to be the preferred use, or whether an alternate use would better support the land value. In this instance, the subject property is improved as a small arms firing range and the instructions to the appraiser specify that it is to be valued in it's "as is" condition. Thus, a highest and best use analysis of the subject as if vacant is not appropriate and has not been provided.

Highest & Best Use "As Is"

The highest and best use of the subject is governed first by what is legally feasible. As previously discussed the subject's RW zone would allow for single family residential development at a density of one dwelling unit per 20 acres. This would nominally allow for three development rights. However, the Specialized Appraisal Instructions provided by the client effectively limit the use of the property to a short arms shooting range that must be open to the public and operated on a non-profit basis by an owner who is qualified to accept public funds.

With respect to physical possibility the subject has historically been used as a firing range for more than 80 years. It has ample room to support a firing range with a large buffer safety area from surrounding uses. The property is located in a rural area of Kitsap County with very low residential development potential but is also situated on a paved highway within a short distance of Bremerton, Port Orchard and Silverdale. These factors suggest that the property would provide good access to a large number of people in its current use while at the same time creating a relatively small noise nuisance impact.

Based upon the foregoing factors the highest and best use of the subject is concluded to be continued operation of the property as improved for use as a firing range that is open to the public and operated on a non-profit basis.

Meanwhile, circumstances resulting from the presence of hazardous waste and the special instruction stipulating that a buyer of the property would not be indemnified from any responsibility of cleaning up toxic contamination make it necessary to look beyond the presumed highest and best use as if in a benign condition to an examination in its "as is" condition. Such consideration specifically revolves around the possibility that at some future time it would be necessary to pay for clean up of toxic material on the property.

In light of the discussion above, it appears that the salient question regarding highest and best use is whether a gun club operating on a non-profit basis would contribute sufficient economic value to supersede the risk associated with the possible cost to cure the contamination at some time in the future? Obviously, the meaning of "risk" assumes that there is no conclusive answer. However, there are some indications in this regard that are pertinent to a valuation based on risk assessment. These include a probable current cost to cure the subject's contamination from $2- $3 million. While it is not possible to predict the exact duration required for cleanup, given that the nature of the contamination pervades into the soil and aquifer it may take years to remediate and it is possible that the costs may escalate beyond present day projections. Finally, there is no certainty that any previous owners of the property would share responsibility for cleanup.

Assessing the impact of contamination on the site is obviously complicated by the fact that it is unknown when and if such cleanup will be required. Further, the cost of hazardous waste cleanup as well as the extent of liability among parties who may have held title to the property at one time or another is notorious for its lack of predictability. For that reason, projecting how these may impact the subject's ultimate value becomes a matter of risk analysis. Where good sales comparison data exists, the appraiser can make direct market comparisons to derive the value of a given property in its existing condition. Not surprisingly, however, I did not find sales of contaminated firing ranges in the subject's market area. The difficulty of finding suitable sales comparisons has resulted in reliance upon the income capitalization approach as the primary means to valuation in this instance. This approach implicitly recognizes the risk associated with achieving a market return on investment in a given property through application of an appropriate capitalization rate. In this instance the rate of return should reflect the following issues:

- The possibility that the ultimate cost of cleanup may be higher than the present day estimate.
- The difficulty in placing a specific time period upon remediation of contamination.
- The level of confidence that cleanup technology and procedures exist that can result in a complete cleanup that will require no further action.
- The possibility that market stigma will be attached to the property even if cleanup does not impair present day operations and liability does not extend beyond the present owner.

The analysis that follows first considers the value of the subject through the income capitalization approach under use as a non-profit firing range that utilizes state funding. The second step in the analysis considers an appropriate discount to that value based upon the risk that a prospective buyer would be required to clean up the contamination on the property at some time in the future.

Land Valuation Analysis

Land valuation analyses are typically based upon the precepts of "market value" as this implicitly considers what the most likely potential buyer of a property would pay in order to generate the highest economic return. However, in this instance the Specialized Appraisal Instructions limit the use of the property to a firing range, and even that utilization of the property is further constrained by requirements that it be operated on a non-profit basis by a party accepting state funds. *The Appraisal of Real Estate*

(12th Edition), which is a comprehensive text published by the Appraisal Institute, provides the following guidance pertaining to valuing such properties:

> *When appraising a type of property that is not commonly exchanged or rent, it may be difficult to determine whether an opinion of market value can be reasonably supported. Such limited-market properties can cause special problems for appraisers. A limited-market property is a property that has relatively few potential buyers at a particular time. Many limited-market properties include structures with unique designs, special construction material, or layouts that restrict their utility to the use for which they were originally built. These properties have limited conversion potential and, consequently, are often called special-purpose or special-design properties. Examples of such properties include houses of worship, museums, schools, public buildings and clubhouses.*
>
> *Limited-market properties may be appraised based on their current use or the mostly likely alternative use. Due to the relatively small markets and lengthy market exposure needed to sell such properties, there may be little evidence to support an opinion of market value based on their current use. The distinction between market properties and limited-market properties is subject to the availability of relevant market data. If a market exists for a limited-market property, the appraiser must search diligently for whatever evidence of market value is available.*
>
> *If a property's current use is so specialized that there is no demonstrable market for it but the use is viable and likely to continue, the appraiser may render an opinion of use value if the assignment reasonably permits a type of value other than market value. If no market can be demonstrated of if the data is not available, the appraiser cannot develop an opinion of market value and should state so in the appraisal report. It is sometimes necessary to render an opinion of market value in these situations for legal purposes, however. In these cases, the appraiser must comply with the legal requirement, relying on personal judgment and whatever direct market evidence is available. Note that the type of value developed is not dictated by the property type, the size or viability of the market, or the ease with which that value can be developed; rather, the intended use of the appraisal determines the type of value to be developed. If the client needs a market value opinion, the appraiser must develop an opinion of market value, not use value.*

In this instance the client has provided very specific instructions limiting the use to a single application but has also directed the appraiser to provide an opinion of market value. Thus, in keeping with the direction provided above, I had relied upon personal judgment as well as whatever market evidence is available in deriving a value conclusion for the subject.

The direct income capitalization methodology is an approach that equates the net operating income of a property over one year of operation to total property value through the application of a market based capitalization rate that implicitly accounts for the risk associated with continuing to generate stabilized income over the life of the investment. In this instance, the subject is appraised as a non-profit operation. Discussion with Kevin Howell of the Kitsap County Prosecutor's Office and Matthew Keough of the

Kitsap County Department of Parks and Recreation suggest that the non-profit status eliminates the ability to generate any net operating income because fees can only be charged that are commensurate with the costs of maintenance and operation. This would effectively reduce the net operating income to zero for a passive investor in the property who does not intend to have a management role.

However, a non-profit organization can pay salaries to its employees. Thus, if the property was purchased by a prospective owner who intended to operate the firing range himself, the salary generated could be construed as income. This latter scenario suggests that even given the strict limitations on the use of the property, there may be prospective buyers willing to pay a lump sum purchase price for the opportunity to generate a salary over their term of ownership.

The amount that such a prospective buyer might pay is a function of the risk associated with the security of the income stream. For purposes of this analysis I have relied upon personal conjecture as well as market evidence to first derive an estimate of the subject's market value *without any consideration of contamination impact*. The impact of toxic waste upon value is then considered in a separate step of the analysis.

The analysis begins with an assumption of a reasonable salary that a potential buyer of the subject could anticipate generating through operation of a firing range. I have put this at $100,000 annually. Since all other funds generating would necessarily go to the operation and maintenance of the firing range (including any other salaries that might be paid) the owner's salary effectively represents the annual net operating income. According to the Korpacz Real Estate Investor Survey (a division of Price Waterhouse Coopers), capitalization rates for investment grade real estate in the Pacific Northwest ranged from 6.5%-11% in the first quarter of 2009. Assuming that the security of this investment entails more or less average risk I have applied a 9% rate of return to the income noted above which results in a total value indication for the subject of around $1,100,000.

While a prospective buyer of the subject might be willing to pay on the order of $1,100,000 to generate an annual income stream of $100,000 assuming typical market risk, consideration of the subject's contamination adds significant uncertainty to the security of that income stream. As discussed above, the current cost to cure all of the contamination on the subject is expected to be around $2-$3 million. Since it is a specific instruction of this appraisal that no indemnity would be granted to a buyer of the property, that person would be expected to absorb most, if not all, of the remediation costs. The next questions are if and when such a liability would be exacted.

As previously discussed the subject is not presently on the Washington State Department of Ecology's list of contaminated sites slated for cleanup, and to my knowledge there has never been any assessment of toxic materials on the subject. However, given its use as a firing range for nearly a century it is common knowledge that the site is heavily contaminated. Further, the adjoining Camp Wesley Harris site, which has a very similar history of use as the subject, has been placed upon the State's list of toxic sites and has already undergone some cleanup at considerable expense. It would be very logical to conclude that at some point the subject would also become a viable candidate for cleanup, and thus it would seem that the issue is much more a matter of "when" than "if."

With regard to the timing impact of any potential requirement to clean up the subject the following analysis is germane. At a price of $1,100,000 and an annual income of $100,000 it would nominally require 11 years to recoup the capital investment. However, adding the cost of cleanup at $2 million (which is the low end of the estimate) would add additional 20 years. Obviously, this is a highly simplistic analysis that ignores additional inputs such as inflation, a potential increase in annual income and a potential increase in the cost of cleanup over time. However, it very clearly illustrates that the looming liability of curing the subject's contamination would undermine much, if not all, of the economic benefit to be derived from the subject. While it is difficult to project when the DOE might require cleanup of the subject, it is not unreasonable to presume that changes in land use in this area over the next 20 years will very likely include increased residential development density with a reliance upon ground sources of drinking water that would promulgate such action. Ultimately, this raises a very strong question as to why a prospective buyer would pay $1,000,000 to secure such a risky income stream when that money could be put to other far less risky income producing real estate ventures.

Based upon the foregoing analysis it is my conclusion that the market value of the subject is effectively zero. This does not necessarily suggest that there is not a prospective buyer willing to pay some amount of cash for the subject. However, that buyer would not be acting to obtain the maximal return on investment that is essential to the concept of market value. Rather, such a purchase would be predicated upon "use value" that considers the value of a particular property in a particular use irrespective of any value that might be derived from alternate uses of that property or an investment in another property that would reap a positive economic return.

Subject Market Value As Is & Recognizing Specialized Appraisal Instructions **$0**

Effective Date of Value

March 19, 2009.

Closing

If you have any further questions or concerns, please do not hesitate to call.

Sincerely,

Stephen Shapiro, MAI

Ref: 9111

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this appraisal are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conclusions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the obtainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Cope of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property.
- This appraisal has been made in conformity with the appropriate State and Federal laws and requirements, and complies with the contract between the agency and the appraiser;
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by authorized representatives.
- As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute.
Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

The property has been appraised for its fair market value as though owned in fee simple and encumbered by the Specialized Appraisal Instructions described in this report. The opinion of value expressed in this report is the result of, and is subject to the data and conditions described in this report.

I made a personal inspection of the property that is the subject of this report on March 19, 2009.

Name: **Stephen Shapiro, MAI**
WS Cert # 1101561

Signature: _____

Date Signed: May 5, 2009

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation

STEPHEN L. SHAPIRO, MAI

Stephen Shapiro graduated in June 1986 from the University of Washington in Seattle, Washington. He was awarded an Honors Degree as Bachelor of the Arts in Communications with a major in Journalism and a minor in Economics. Since that time he has worked as a writer, editor and research consultant specializing in land and marine resource issues. Mr. Shapiro was asked to join the firm of **Wronsky, Gibbons & Riely** in March of 1999 by Anthony Gibbons. In July of 1999 Mr. Gibbons formed Anthony Philip Gibbons PLLC, doing business under the new company name of **RE•SOLVE** – a company providing Real Estate Appraisal, Counseling and Mediation services. Mr. Shapiro joined Mr. Gibbons in his company at that time.

In his capacity as an appraiser for **Wronsky, Gibbons & Riely** and **RE•SOLVE**, Mr. Shapiro has developed a broad range of experience over a wide variety of property types. Appraisals have been performed on office and industrial buildings; commercial and industrial land; residential subdivision property; natural resource and habitat land, including timberland and wetland property; and high-end estate homes. In addition, he has provided mediation and expert witness services for legal purposes.

Mr. Shapiro is licensed as a certified general real estate appraiser by the State of Washington (license no. 1101561) and is listed on the Washington State Department of Transportation's Approved List of Appraisers and Reviewers. He was awarded the highly regarded MAI designation of the Appraisal Institute in June 2006 (member no. 12394). He has successfully completed the following Appraisal Institute courses, as well as numerous additional professional seminars:

- Appraisal Principles
- Appraisal Procedures
- Standards of Professional Appraisal Practice, Parts A and B
- Highest and Best Use and Market Analysis
- Basic Income Capitalization
- General Applications
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Advanced Income Capitalization
- Uniform Appraisal Standards for Federal Land Acquisitions
- Condemnation Appraising: Advanced Topics and Applications

Mr. Shapiro has performed appraisal services for a wide variety of clients, and a brief client list follows.

- City of Bainbridge Island
- WA State Dept. of Natural Resources
- Bainbridge Island Parks and Recreation
- Group Health Cooperative of Puget Sound
- Port of Seattle
- Cascade Land Conservancy
- U.S. Forest Service
- NC Power Systems Co.
- City University
- Trust For Public Land
- Bainbridge Island Land Trust
- The Mark A. Robinson Trusts
- Commerce Bank
- First American Title Insurance Co.
- Tulalip Tribes
- Tousley Brain Stephens PLLC
- Ryan, Swanson and Cleveland, PLLC
- Pope Resources, Inc.
- Hockett & Olsen Brothers, Inc.
- Great Peninsula Conservancy
- Central Kitsap School District
- Riddell Williams P.S.
- Whidbey Camano Land Trust
- Michael A. Goldfarb Law Office
- Lawler Burroughs & Baker, P.C.
- Harnish Group, Inc
- Development Services of America
- Preston Gates & Ellis LLP
- Pacific Investment Co.
- Column Financial
- GVA Kidder Mathews
- American Marine Bank
- Batavia Holdings LLC
- Kinzer Real Estate Services
- Knowles/Turner Real Estate Group
- Warren G. Harding Temple Board Assoc.
- GEM1 LLC
- Kitsap County Dept. of Public Works
- Washington State Parks Commission
- Livengood, Fitzgerald & Alskog PLLC
- American Eagle Communities
- McGavick Graves Attorneys at Law
- Wal-Mart
- Black Equities Group LTD
- Transnation Title Insurance Co.
- The Ketcham Family
- City of Burien
- Open Space Resources
- Kitsap Conservation District
- Lawyers Title Insurance Corp.
- Kitsap County Dept. Parks and Recreation
- McCormick Land Company
- Trammell Crow Co.
- Pike Place Market PDA
- City of Edmonds Parks and Recreation
- WA State Department of Transportation
- MacMillan-Piper, Inc.
- Port of Allyn
- Pacific Medical Center and Clinics
- Commonwealth Land Title Insurance
- Port Gamble S'Kllallam Tribe
- Madison Ave Real Estate, LLC
- Kitsap County Dept. of Admin. Services
- Olympic Property Group
- Prosperity Treatment Center
- Old Republic Title Co.
- Cullen Law Office LLP
- Port of Olympia
- Washington First International Bank
- Rogers Deutsch & Turner
- Frontier Bank
- Credit Suisse First Boston
- The Mountaineers
- Bainbridge Public Library
- GMAC Commercial Mortgage
- Farm Bureau Life Insurance Co.
- Starbucks
- Seattle Automotive Dist., Inc.
- Pacific Northwest Title Insurance Co.
- WA State Office of the Attorney General
- Aoki Sakamoto and Grant LLP
- AnMarCo
- King Count Dept. Natural Resources & Parks
- Montgomery Purdue Blankinship & Austin PLLC
- Ogden Murphy Wallace PLLC
- Puget Sound Energy
- Kenyon P. Kellogg, Attorney at Law
- Mundt MacGregor PLLC

Don Burger

From: Nancy Buonanno-Grennan [NBGrenn@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:42 PM
To: Chip Faver; Kevin M. Howell; Matt Keough
Cc: Shelley E. Kneip
Subject: Re: Fwd: Gun Club Appraisal = ZERO VALUE

Kevin - [redacted]

>>> Matt Keough 05/05/09 3:25 PM >>>

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
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Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "Steve Shapiro" <sshapiro@realestatesolve.com> 5/5/2009 3:10 PM >>>

Stephen Shapiro, MAI

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Bainbridge, WA 98110

(206) 855-1090- Direct

(206) 842-5082 - Fax

(206) 819-2053- Cell

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:56 PM
To: Tracey L. Hamilton-Oril
Subject: Re: Fwd: Gun Club Appraisal = ZERO VALUE
Attachments: Re: Fwd: Gun Club Appraisal = ZERO VALUE

[redacted]

Don Burger

From: Nancy Buonanno-Grennan [NBGrenn@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:42 PM
To: Chip Faver; Kevin M. Howell; Matt Keough
Cc: Shelley E. Kneip
Subject: Re: Fwd: Gun Club Appraisal = ZERO VALUE

Kevin - [redacted]

>>> Matt Keough 05/05/09 3:25 PM >>>

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>>> "Steve Shapiro" <sshapiro@realestatesolve.com> 5/5/2009 3:10 PM >>>

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Don Burger

From: Tracey L. Hamilton-Oril [THamilto@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 3:57 PM
To: Shelley E. Kneip
Subject: Re: Fwd: Gun Club Appraisal = ZERO VALUE

[redacted]

>>> Shelley Kneip 5/5/2009 3:55 PM >>>
[redacted]

Don Burger

From: Christopher Leyh [CLeyh@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 4:23 PM
To: Matt Keough
Subject: acreage for gun club poly INSIDE apn 127....= 27.16487

acreage for gun club poly INSIDE apn 127....= 27.16487 running out of time...gis staff leaving in three min

>>> Matt Keough 5/5/2009 3:53 PM >>>
NEED WHAT YOU CAN DO... ASAP!!!

MFK

Matthew F. Keough
Parks Planning Project Manager
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(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Christopher Leyh 5/5/2009 2:56 PM >>>
ArcMap is crashing. I'm in the middle of creating the club boundary.
c

>>> Matt Keough 5/5/2009 2:39 PM >>>
Very cool. Once we extract out the area "compromised" by the land lease area, I suspect we'll be down to about 285 acres. I still have to arrive at a new 305 acre polygon though and so would love your help in looking to the east, crossing over the parcel line and capturing more of the wetlands areas, ideally to fully capture one of the wetlands "outlets"... if that's not feasible than we'll take the extra along the north boundary line. Call me when you start - if you get to - draw the 305 desired polygon for conservation.

MFK

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>>> Christopher Leyh 5/5/2009 2:35 PM >>>
acreage for all three parcels (APN 1279389) = 314

>>> Matt Keough 5/5/2009 2:01 PM >>>

Matthew F. Keough
Parks Planning Project Manager
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Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Christopher Leyh 5/5/2009 1:58 PM >>>
will do. (x4216)

>>> Matt Keough 5/5/2009 1:56 PM >>>
Please call me if you can - I don't have your extension

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Christopher Leyh 5/5/2009 1:16 PM >>>
Roger that. I will need a bit more time. apologies.
c

>>> Matt Keough 5/5/2009 1:14 PM >>>
nothing attached!

Matthew F. Keough
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614 Division Street, MS-1
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(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Christopher Leyh 5/5/2009 12:34 PM >>>
Matt,
I'm just about there. ArcMap has crashed a few times and I'm having a bit of trouble with the exported jpg.
(Getting the white boxes around the insets which is weird because I didn't get that with the Central and Southern districts.) Be back ASAP.
thx
c

>>> Matt Keough 4/30/2009 4:30 PM >>>
I know you are gone but wanted to say thank you for the hard work.

I think these maps are a sign of great advancement for us. When you are back to the terminal, run one of the North End again - you started with it, without population density coverage or city limits. Together, its a great package.

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation

614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Christopher Leyh 4/30/2009 2:31 PM >>>
I'm working on how to get the white squares out right now.

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Tuesday, May 05, 2009 5:16 PM
To: aosullivan@suquamish.nsn.us; BRAD (DNR) PRUITT
Cc: Chip Faver
Subject: ATTACHING A DRAFT WORK IN PROGRESS FOR THE CONSERVATION EASEMENT
Attachments: CONSERVATIONEASEMENTUNDERDEVELOPMENT.doc

The attachment shows the work in progress... to be refined tomorrow AM. It is a "screen shot" that shows the western parcel (314 acres), the wetland protection zone which totals 145 acres within that parcel, and, finally, the special use lease area of the Kitsap Rifle and Revolver Club (KRRC).

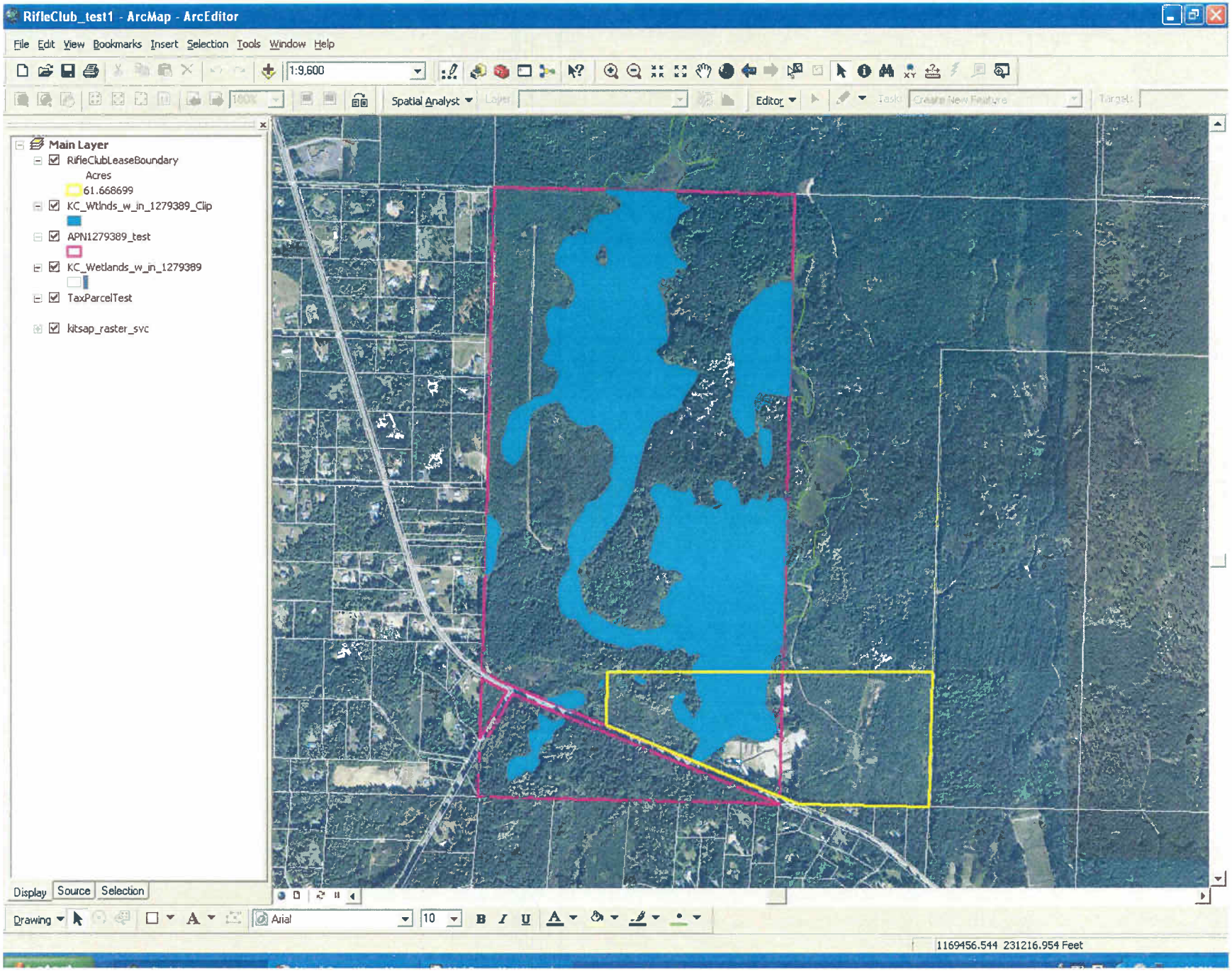
To produce the 305 acre conservation area, we will extract the KRRC area from the parcel (within the parcel that area is 27 acres) and we will pursue remaining acreage through stream outlets and wetland areas beyond the parcel. The screen shot shows the outline of the wetland area on the adjacent area - it will be the area we make a priority in capturing.

Stay tuned in the AM for better version of this, to be an exhibit in the closing of the land exchange. BOCC Executive session is scheduled for around 11AM. Pins and needles here that interests are well understood.

THANK YOU FOR YOUR TIME.
MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us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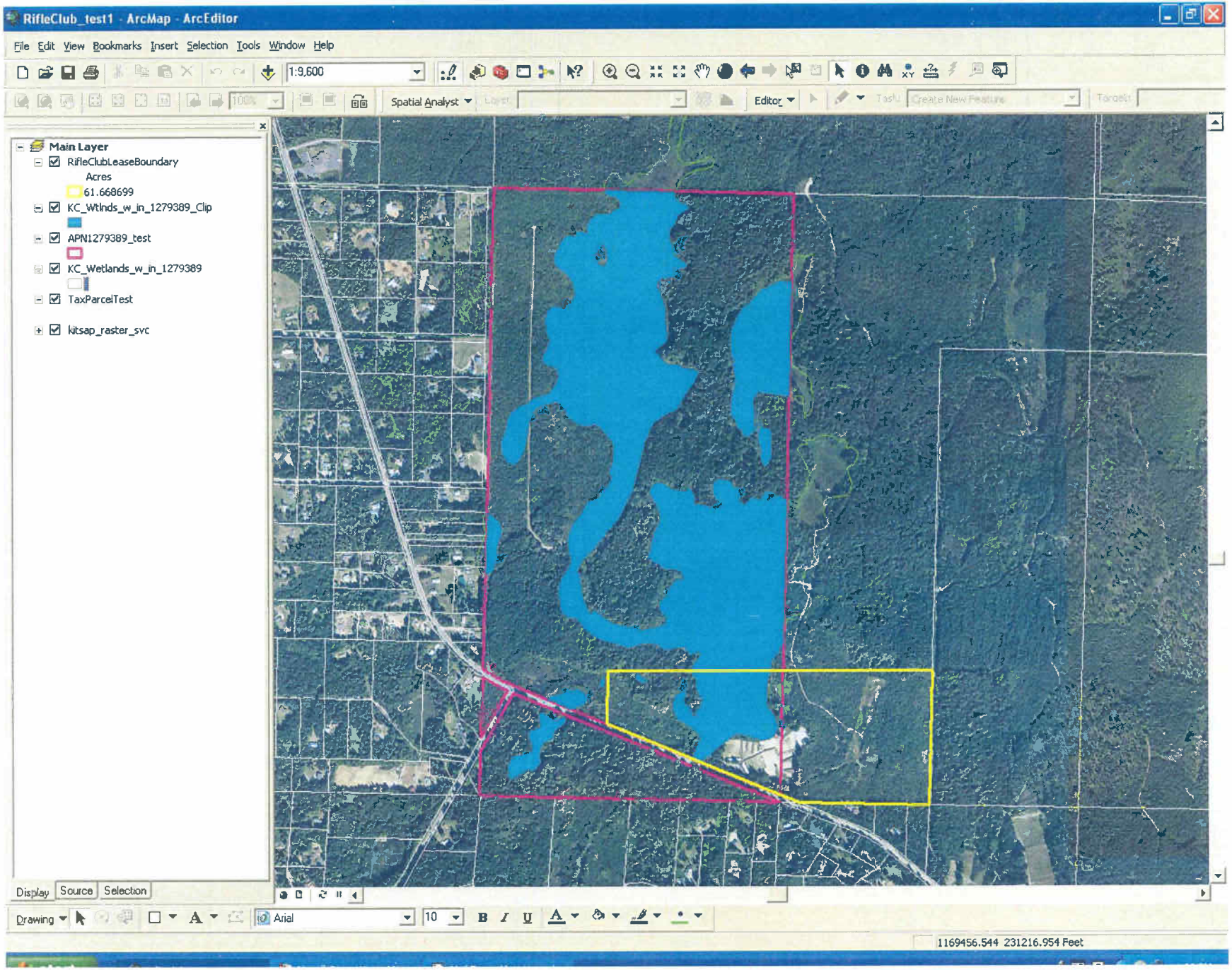
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TaxParcelTest
kitsap_raster_svc
Display
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Don Burger

From: Alison OSullivan [aosullivan@suquamish.nsn.us]
Sent: Tuesday, May 05, 2009 7:36 PM
To: Matt Keough; BRAD (DNR) PRUITT
Cc: Chip Faver
Subject: RE: ATTACHING A DRAFT WORK IN PROGRESS FOR THE CONSERVATIONEASEMENT

Thanks Matt,
Yes, this depicts what we discussed in the conference call this afternoon and depicts a good mix of wetland and upland habitat for preservation (305 acre conservation tract). As mentioned during our conversation the letter we provided to DNR did not state opposition to the land exchange. This area is both important wildlife habitat as well as important headwater wetlands to Chico Creek and preservation is crucial. I appreciate everyones efforts - I think we had a good meeting.
Alison

Alison O'Sullivan
Biologist, Suquamish Tribe
P.O. Box 498
Suquamish, WA 98392
phone: (360) 394-8447
fax: (360) 598-4666

From: Matt Keough [mailto:MKeough@co.kitsap.wa.us]
Sent: Tue 5/5/2009 5:16 PM
To: BRAD (DNR) PRUITT; Alison Osullivan
Cc: Chip Faver
Subject: ATTACHING A DRAFT WORK IN PROGRESS FOR THE CONSERVATIONEASEMENT

The attachment shows the work in progress... to be refined tomorrow AM. It is a "screen shot" that shows the western parcel (314 acres), the wetland protection zone which totals 145 acres within that parcel, and, finally, the special use lease area of the Kitsap Rifle and Revolver Club (KRRC).

To produce the 305 acre conservation area, we will extract the KRRC area from the parcel (within the parcel that area is 27 acres) and we will pursue remaining acreage through stream outlets and wetland areas beyond the parcel. The screen shot shows the outline of the wetland area on the adjacent area - it will be the area we make a priority in capturing.

Stay tuned in the AM for better version of this, to be an exhibit in the closing of the land exchange. BOCC Executive session is scheduled for around 11AM. Pins and needles here that interests are well understood.

THANK YOU FOR YOUR TIME.
MFK

Matthew F. Keough
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Kitsap County Parks and Recreation
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Port Orchard, WA 98366

(360) 337-5357

mkeough@co.kitsap.wa.us

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 3:31 PM
To: Opal Robertson
Cc: Chip Faver; Kevin M. Howell; Matt Keough
Subject: Resolution

[redacted]

[redacted]

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 3:48 PM
To: Kevin M. Howell
Cc: Tracey L. Hamilton-Oril; Tracy L. Osbourne
Subject: KRRC Resolution
Attachments: Resolution re Sale to KCRR.doc

Importance: High

[redacted]

KITSAP COUNTY RESOLUTION NO. ____

A Resolution to Assign and Convey Certain Real Estate

WHEREAS, Kitsap County (County) has been negotiating with the State Department of Natural Resources (DNR) regarding a land exchange in the Central Kitsap area; and

WHEREAS, the County has determined that the land transfer with DNR is in the public interest as it will provide contiguous county ownership that will enable more efficient and effective local management and enhanced park, recreational and open space facilities for County residents; and

WHEREAS, part of the property that DNR intends to transfer to Kitsap County includes a portion of property that is currently leased to the Kitsap Rifle and Revolver Club (KRCC) as a shooting range; and

WHEREAS, the State of Washington has recognized a need to preserve shooting ranges that provide public access and access by law enforcement; and use for firearm and hunter safety education classes; and

WHEREAS, KRRC currently meets the stated needs for Kitsap County by its operation as a private nonprofit facility; and

WHEREAS, the County finds that it is in the public interest for firearm safety as well as in the best economic interest of the County to provide that KRRC continue to operate with full control over the property on which it is located; and

WHEREAS, the County has had the KRRC shooting range property appraised, and the appraisal of the property as it is currently used and will be continued in use is less than $2,500; and

WHEREAS, pursuant to RCW 36.34.020, Kitsap County may dispose of the KRRC property without a public bidding process.

NOW THEREFORE, be it resolved:

The Board of County Commissioners hereby authorizes the assignment and sale of the portion of the property acquired under the DNR/County land exchange, which is more specifically described in Exhibit A, attached hereto and incorporated herein, to the Kitsap Rifle and Revolver Club. Consideration by the KRRC shall include, but not be limited to, covenants to maintain and operate the property as a shooting range with public access, retention of certain easements by the County, other environmental considerations, and assumption of liability for the property and the use of the property. The conveyance to KRRC shall take place as soon as is practicable after the property is conveyed to Kitsap County by DNR.

DATED this _____ day of _____, 2009.

BOARD OF COUNTY COMMISSIONERS
KITSAP COUNTY, WASHINGTON

_____
CHARLOTTE GARRIDO, Chair

ATTEST:

_____
STEVE BAUER, Commissioner

_____
Opal Robertson
Clerk of the Board

_____
JOSH BROWN, Commissioner

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 4:07 PM
To: Chip Faver; Kevin M. Howell; Shelley E. Kneip
Cc: Terri Lyman
Subject: Fwd: Final Newberry Hill Exchange Agreement
Attachments: Final Exchange Agreement sent to KC 050609.doc

[redacted]

[redacted].

[redacted].

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "NEFF, CINDY (DNR)" < CINDY.NEFF@dnr.wa.gov > 5/6/2009 1:41 PM >>>
1:40 pm, Wed, May 6, 2009

Hi Matt,

Here's the final Newberry Hill Exchange Agreement.

Cindy Neff
Asset Planning & Transactions
Dept. of Natural Resources
1111 Washington Ste SE
PO Box 47014, Olympia, WA 98504
360-902-1009 (office)
360-902-1789 (fax)
cindy.neff@dnr.wa.gov

WASHINGTON STATE DEPARTMENT OF
Natural Resources

NEWBERRY HILL EXCHANGE AGREEMENT

DNR Exchange No. 86- 081861

THIS AGREEMENT is made as of the ____ day of _____, 20__, by and between the STATE OF WASHINGTON, acting by and through the Department of Natural Resources (hereinafter referred to as "State") and Kitsap County Parks and Recreation Department (hereinafter referred to as "Exchanger").

WHEREAS, Exchanger is the owner of certain real property ("Exchange Property") located in Kitsap County, Washington; and

WHEREAS, State is the owner of certain real property ("State Property") located in Kitsap County, Washington; and

WHEREAS, Exchanger desires to acquire the State Property, and State desires to acquire the Exchange Property;

NOW, THEREFORE, in exchange for the mutual promises and covenants herein contained, and other good and valuable consideration, the mutual receipt and sufficiency of which is hereby acknowledged by Exchanger and State, it is agreed as follows:

SECTION 1 EXCHANGE PROPERTY

1.1 Conveyance. Exchanger shall convey and exchange to State, and State shall accept from Exchanger, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit A attached hereto and incorporated by this reference herein, together with the following:

(i) All rights, tenements, hereditaments, easements, associated tidelands, and appurtenances, including, but not limited to, any rights, title and interest of Exchanger in and to all trees, crops, oil, gas, sand, gravel, water rights, or mineral rights;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way;

(iii) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of Exchanger with respect to the property, and an assignment of all representations and warranties made therein to Exchanger.

SECTION 2 STATE PROPERTY

2.1 Conveyance. State shall convey and exchange to Exchanger, and Exchanger shall accept from State, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit B attached hereto and incorporated by this reference herein together with the following

(i) All rights, tenements, hereditaments, easements, and appurtenances, including, but not limited to, any rights, title and interest of State in and to all trees, crops, rock, sand, gravel, or water rights subject to the reservations set forth in 2.2 and 2.3;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way, and except as limited by the easement reserved under Section 2.3;

(iv) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of State with respect to the property, and an assignment of all representations and warranties made therein to State.

2.2 Mineral Reservation. Pursuant to RCW 79.36.620, State reserves minerals in perpetuity for the State Property legally described in Exhibit B-1, said reservation to be in the form set forth on the Quit Claim Deed attached hereto as Exhibit B-4.

2.3 Easement Reservation. State reserves access over and across parcels S-1 and S-2, legally described on Exhibit B-2, for all purposes, said reservation to be in the form set forth in Exhibit B-3, unless otherwise agreed to by State in writing.

SECTION 3. EXCHANGE VALUE

3.1 Exchange Property Value. Based upon its evaluation of the value of the Exchange Property pursuant to RCW 79.17.010, the Department will request the Board of Natural Resources to establish the Exchange Property Value at Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00). The Exchange Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the Exchange Property at less than Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

3.2 Cash and Services Value. Pursuant to the authority granted to State under RCW 79.17.010 during the biennium ending June 30, 2009, Exchanger shall pay cash to the State in the amount of up to Fifty Thousand Dollars ($50,000.00) to reimburse State for its actual administrative costs incurred to facilitate this exchange, and Thirteen Thousand Dollars ($13,000.00) to reimburse State for Road Maintenance and Abandonment costs associated with the Exchange Property. Said cash amount shall be paid by Exchanger to Escrow Company prior to closing. This cost reimbursement shall be deposited into the resource management cost account or the forest development account upon closing, to be determined by the proportion of costs incurred by the trusts benefitting from the respective accounts. In the event the exchange fails to close because either party exercises a right to terminate for failure of a contingency as provided herein, this amount shall be refunded to Exchanger.

3.3 State Property Value. The Department will request the Board of Natural Resources to establish the State Property Value at Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00). The State Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the State Property Value at less than Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

SECTION 4 CLOSING

4.1 Closing Date. "Closing," "Closing Date" or "Date of Closing" as those terms are used herein, shall mean the date upon which all documents are recorded and monies paid to complete the exchange contemplated herein. The Date of Closing shall be as soon as practicable to

facilitate an orderly closing but no later than June 25, 2009 unless otherwise agreed in writing by the parties.

4.2 Escrow. This transaction shall be closed in escrow at Land Title Company of Kitsap County, 9657 Levin Road N.W., Suite 100, Silverdale, WA 98383 ("Escrow Company") which shall be arranged by State within ten (10) days of execution of this Agreement. The parties shall deposit the necessary documents and funds in escrow sufficiently in advance of the Closing Date to facilitate an orderly closing. State and Exchanger shall each pay one-half of the Escrow Company's fee.

SECTION 5 CONVEYANCE, TITLE INSURANCE AND POSSESSION.

5.1 Possession. The parties shall be entitled to possession of the property on the Closing Date, and each party shall have a right of entry pursuant to Section 6 below.

5.2 Form of Deed. On the Closing Date, Exchanger shall convey title to the Exchange Property to State by Statutory Warranty Deed substantially in form as set forth in Exhibit A-1, and State shall convey the State Property to Exchanger by Quitclaim Deed substantially in form as set forth in Exhibit B-4.

5.3 Title Insurance. This Agreement is conditioned upon each party accepting title as set forth below.

(a) State has obtained a preliminary commitment for an ALTA Owner's Standard Coverage Policy of title insurance (hereafter "Preliminary Commitment"). Exchanger agrees to pay the cost of title insurance for the Exchange Property and warrants that Exchanger's Title to the Exchange Property to be good, marketable and insurable subject only to such exceptions approved by State.

(b) State shall not furnish insurance insuring title to the State Property. Exchanger shall be responsible for procuring title insurance for the State Property at Exchanger's sole expense. Exchanger's sole remedy for title defects shall be termination of this Agreement as set forth below. To exercise the termination rights set forth in subsection (d) Exchanger must obtain a Preliminary Commitment of title insurance within fifteen (15) days after the date of this Agreement.

(c) Within thirty (30) days of its receipt of the Preliminary Commitment, or the Date of this Agreement whichever is later, each party must notify the other in writing of any exceptions thereto which are wholly or conditionally acceptable (hereafter "Title Notice"). Following giving of Title Notice, if additional encumbrances affecting either property arise, the party acquiring the affected property shall have twenty (20) days from receipt thereof to review and approve these additional items. Failure to so approve in

writing any exception to title shown in the Preliminary Commitment or arising thereafter shall be deemed to be a disapproval of such exception.

(d) State (without obligation) and Exchanger (by the exercise of its reasonable efforts and with due diligence) shall, prior to or at the Closing Date, at its sole cost and expense, undertake to remove, eliminate or modify any exceptions not acceptable to the other party; provided that in the event Exchanger or State is unable to cure such objections, Exchanger or State shall so advise the other party in writing within five (5) days following the expiration of the review period described in Section 5.3(c) above and thereafter the affected party shall have ten (10) days within which to make an election to accept such encumbrance or terminate and cancel this Agreement. This election shall be made in writing to the other party within said ten (10) day period. A failure to give such written election within said ten (10) day period shall be deemed an election by said party to reject the status of the title and to terminate this Agreement. Upon such termination, the rights and obligations of the parties shall terminate and any monies deposited by a party pursuant to this Agreement shall be returned to the party depositing the same.

(e) On the Closing Date, Exchanger shall cause the Title Company to insure title to the Exchange Property in the name of State in the amount of State's appraised value of Exchange Property, subject only to the exceptions contained in the ALTA Owner's Policy Form, and the exceptions set forth in the Preliminary Commitment which are accepted by State.

SECTION 6 RIGHTS AFTER ACCEPTANCE

6.1 Inspection. After the Date of this Agreement, each party shall permit the other and/or its designated agents to enter upon the property at all reasonable times for the purpose of conducting environmental assessments and investigating the property and the physical condition thereof, including, without limitation, soil, water, and air conditions, and the condition of improvements, if any, upon the property. Inspections by either party shall not be construed as estopping actions upon any warranty made herein.

6.2 Studies.

(a) Studies. Each party shall have the right to prepare, or have prepared, appraisals, market and engineering studies, soils tests, feasibility studies, surveys, resurveys or survey updates, environmental investigations and such other tests, studies or investigations (all of which are collectively referred to as the " Studies") with respect to the property to be received. Each party shall be solely responsible for costs of all the Studies obtained by that party.

(b) Termination Rights. If a party determines, at its sole discretion, that the Studies indicate the property to be received is not suitable for the intended use by that party or the property presents risk of liability unacceptable to that party, that party may terminate this

Agreement without further obligation. Neither party makes any warranty as to the accuracy of the Studies, and no studies or information have been relied upon by either party unless expressly identified in this Agreement.

6.3 Subsequent Acts. Between the Date of this Agreement and the Closing Date, each party shall maintain their property and keep it in condition at least as good as on the Date of this Agreement. Neither party shall remove, or allow to be removed, any timber, harvestable crop, improvements, minerals, sand, gravel, or other item from the property after the Date of this Agreement without prior, written approval by the other party.

SECTION 7 CONTINGENCIES

7.1 State Approval. This Agreement is contingent on approval by the Board of Natural Resources, in its sole discretion, to determine this exchange is for one or more of the purposes enumerated in RCW 79.17.010(1), acting in the best interests of the trusts, and further subject to the Board's confirming this Agreement involves an exchange of equal based upon the Exchange Property Value and State Property Value. If, on or before the thirtieth (30th) day after the Date of this Agreement, State has not delivered to Exchanger a written notice of the Board of Natural Resources' approval (Approval Notice) to consummate the acquisition of the Exchange Property, then State or Exchanger may terminate this Agreement by giving written notice of termination (Termination Notice) to the other party. The right of termination shall not be effective if Exchanger receives the Approval Notice prior to Exchanger sending the Termination Notice.

7.2

7.2.1 Exchanger's Conditions. The obligations of the Exchanger under this Agreement are subject to and contingent upon the following:

a) The conveyance by State to Exchanger of the State Property by Quitclaim Deed, with mineral rights reservations, as described in Section 5.

7.2.2 State's Conditions. The obligations of State under this Agreement are subject to and contingent upon the following:

a) The conveyance by Exchanger to State of the Exchange Property by Statutory Warranty Deed, as described in Section 5; and

b) The termination of the conservation easement attached hereto as Exhibit D, pursuant to the authority granted therein for the substitution of other conservation land, in a manner satisfactory to State.

7.2.3 Mutual Conditions. The obligations of both Exchanger and State under this Agreement are further subject to and contingent upon the following:

(a) The truth and accuracy as of the Closing Date of all representations and warranties set forth in this Agreement or in any instrument or document delivered hereunder.

(b) The delivery on or prior to the Closing Date of all documents and instruments required by the terms of this Agreement.
(c) The performance on or prior to Closing of all acts required under this Agreement.
(d) The absence at Closing of any violation of any federal, state or local law, rule, regulation or ordinance affecting the use, occupancy or condition of the Exchange or State Property.
(e) The absence at Closing of any failure to comply with the order of any court, government authority or agency pertaining to the Exchange or State Property or the use, occupancy or condition thereof.
(f) The absence at Closing of any proceeding or threat of any proceeding to condemn all or any part of the Exchange or State Property by a proceeding in eminent domain.
(g) Conveyance of acceptable title as provided in Section 5.
(h) Approval of the Studies pursuant to Subsection 6.2.
(i) Mutual execution of State's Easement Reservation pursuant to Section 2.3.
(j) Mutual execution of State's assignment of the Kitsap Rifle and Revolver Club lease to Exchanger, substantially in the form attached hereto as Exhibit A-2.

7.3 Waiver. If any condition specified in Section 7.2 is not met at Closing, a party may waive such condition in writing or it may terminate this Agreement without any further liability, provided that any waiver of condition 7.2.2(b) shall not occur without an update to the appraisal confirming that the Exchange Property Value set forth in Section 3.1 would not be reduced as a result of the failure to terminate the conservation easement identified in Section 7.2.2(b).

7.4 Refund. Upon termination under subsection 7.1 or 7.2, any monies deposited pursuant to this Agreement shall be promptly returned to the party depositing the same.

SECTION 8 REPRESENTATIONS AND WARRANTIES OF EXCHANGER

Exchanger makes the following representations and warranties to State. Each of these representations and warranties is material and is relied upon by State. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

8.1 Title. Title to the Exchange Property is vested in Exchanger.

8.2 No Liabilities. There exists upon the Exchange Property no condition which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records which affects the Exchange Property.

8.3 Correctness. The accuracy and truthfulness of all information furnished by Exchanger to State with respect to the Exchange Property excluding Studies.

8.4 Litigation. There is no pending or threatened litigation affecting the Exchange Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither Exchanger nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

8.5 Condition of Exchange Property. Exchanger represents and warrants the following: a) there are no apparent or latent defects in the Exchange Property; b) the Exchange Property does not contain any underground storage tanks, surface impoundments, asbestos or asbestos-containing material, or polychlorinated biphenyls (PCBs) or PCB-containing materials, past or present refuse dump sites, chemical storage sites, areas of heavily stained soil or sites known hazardous materials releases other than those indicated and described by exhibit attached hereto, which is a full representation of such conditions; and c) the Exchange Property is free from the presence of hazardous waste or materials and no hazardous waste or materials have been generated, stored, released, disposed of, or transported over, on or within the Exchange Property. The term "hazardous waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now in effect, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq., and the Model Toxics Control Act, RCW 70.105D. Exchanger has no undisclosed knowledge of any fact or condition that would materially impair the market value of the Exchange Property, would materially increase the cost of operating the Exchange Property or would be inconsistent with the terms of this Agreement.

8.6 Authorization. Exchanger has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by Exchanger will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

8.7 No Real Estate Agent. Exchanger has engaged no real estate agent or broker in connection with this transaction.

8.8 Appraisal Fees Paid. Exchanger has paid all appraiser's fees and charges associated with appraising the Exchange Property and State Property.

SECTION 9 REPRESENTATIONS AND WARRANTIES OF STATE

State makes the following representations and warranties to Exchanger. Each of these representations and warranties is material and is relied upon by Exchanger. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

9.1 No Liabilities. The State has no actual knowledge of any condition upon the State property which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records that affect the State Property.

9.2 Correctness. To the best of State's knowledge, the information furnished by State to Exchanger with respect to the State Property, excluding Studies, is true and accurate.

9.3 Litigation. The State has received no actual notice of pending or threatened litigation affecting the State Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither State nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

9.4 Authorization. State has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by State will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

SECTION 10 INDEMNITY AND HOLD HARMLESS

Exchanger agrees to indemnify, defend with counsel acceptable to State, and hold harmless the State, its agencies, employees, officers and agents from (a) all liabilities, losses, claims, demands, damages, assessments, costs and expenses (including reasonable attorneys' and consultants' fees) of every kind (hereafter "Liabilities") resulting from, arising out of or relating to the breach by Exchanger of any of its representations, warranties, or covenants contained in this Agreement and (b) all Liabilities arising under, resulting from or arising out of any activities of Exchanger, its agents, employees, contractors, subcontractors, permittees, or licensees at the Exchange Property prior to or at Closing.

SECTION 11 DESTRUCTION OR CONDEMNATION

Each party shall bear the risk of loss associated with its property prior to Closing. If, on or before the Closing Date, either property is materially damaged, or condemnation proceedings are commenced with respect to a property, the party receiving that property shall have the right, at its sole election, by giving notice to the other, either to terminate this Agreement or to exchange the property in accordance with this Agreement. If a party elects to terminate this Agreement, all rights and obligations of the parties shall terminate. If a party elects to exchange the property in accordance with this Agreement, the party receiving the damaged or condemned property shall be entitled to all insurance proceeds or condemnation awards payable by reason of such damage or condemnation. Each party shall immediately give notice to the other upon the occurrence of any damage to their property or the initiation of any condemnation proceedings affecting their

property. The term "material damage" as used in this section shall mean any damage or destruction which exceeds three percent (3 %) of the value of the Property.

SECTION 12 CLOSING AND CLOSING COSTS

Prior to or on the Closing Date, Exchanger and State shall deposit the following documents and funds in escrow, to be closed in accordance with the instructions of State and Exchanger consistent with this Agreement:

12.1 Exchanger Obligations. Exchanger shall deposit the following:

(a) Duly executed and acknowledged Statutory Warranty Deed conveying the Exchange Property to State and a Real Estate Excise Tax Affidavit;

(b) Funds necessary to reimburse State for administrative and other costs as specified in Section 3.2;

(c) Assumption of leases and contracts, substantially in form set forth in Exhibit A-2, including Special Use Lease No 60-B068979 shown in Exhibit A-3;

(d) If Exchanger is a corporation or partnership, a certified resolution authorizing the execution of all documents delivered at the Closing;

(e) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by all future owners for existing State forested parcels;

(f) Signed acceptance of the Easement Reservation set forth in Exhibit B-3; and

(g) Such other funds or documents, including without limitation, closing instructions as required of Exchanger to close the exchange in accordance with this Agreement.

12.2 State Obligations. State shall deposit the following:

(a) Duly executed and acknowledged Quit Claim Deed conveying the State Property to Exchanger and a Real Estate Excise Tax Affidavit;

(b) Tenant Estoppel Statements from all current State tenants using format acceptable to State and being similar to Exhibit B-5;

(c) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by State for existing Exchanger forested parcels; and

(d) Such other funds and documents, including without limitation, closing instructions as are required of State to close the exchange in accordance with this Agreement.

12.3 Prorations. All rents and other income, if any, and water, sewer, utility and maintenance charges, and any other expenses with respect to the operation of the properties shall be prorated between Exchanger and State as of the Closing Date, and to the extent information then available, such proration shall be made as of the Date of Closing. Such proration shall be adjusted and completed after the Closing Date as and when complete information becomes available, and State and Exchanger agree to cooperate and use their best efforts to complete such prorations not later than sixty (60) days after the Closing Date. No insurance prorations shall be made. Each party shall pay any assessments charged against their property in full prior to or at Closing unless otherwise agreed in writing. Exchanger shall pay all real estate taxes and personal property taxes related to the Exchange Property, if any, through the Date of Closing. In the event Exchanger has prepaid any real estate taxes, Exchanger may seek a refund from the appropriate county official; State shall have no obligation to refund or pay any such amount to the Exchanger. Exchanger shall pay any real property excise tax due, and the cost of any revenue stamps, if applicable, required to complete this transaction. Each party will pay their own recording fees. Proration for cash rentals for leases will be as of the date of actual closing.

12.4 Compensating Tax. Exchanger shall pay any and all compensating tax, if applicable, as defined under chapters 84.33 RCW or 84.34 RCW that may come due as a result of this transaction.

SECTION 13 CONTINUING FORESTLAND OBLIGATIONS

Exchanger and State acknowledge that the State Property and the Exchange Property are subject to certain continuing forestland obligations applicable to the properties under the forest practices rules adopted pursuant to RCW 76.09.070, including but not limited to the continuing obligations, if any, listed on the notice which is attached hereto as Exhibit C (the "Continuing Obligations"). At or before Closing, Exchanger and State each agree to sign and deliver to the other originals of the notice attached hereto as Exhibit H or such other notice that indicates the Exchanger's and State's knowledge of the Continuing Obligations as may be required by the Washington Department of Natural Resources ("DNR") at the time of Closing. At Closing, Exchanger and State shall each send the executed notice(s) to the appropriate DNR region office of jurisdiction, in accordance with the requirements of RCW 76.09.390. As of Closing, Exchanger and State each assume and agree to perform the Continuing Obligations at their sole cost and expense in a timely fashion.

SECTION 14 SURVIVAL

The representations, warranties, indemnification and obligations (to the extent such obligations are not fully performed at closing) contained herein are intended to survive closing and shall be deemed not to have merged into the deeds.

SECTION 15 REAL ESTATE COMMISSION

Exchanger shall pay any real estate commission payable in connection with this transaction. Any real estate agent or broker acting in this transaction shall be deemed to be the sole agent of Exchanger.

SECTION 16 NOTICES

All notices required or permitted to be given hereunder shall be in writing and shall be deemed given three (3) days following delivery in the United States certified mail, return receipt requested, postage prepaid, or on the date sent via facsimile as follows:

To Exchanger:
Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation Department
614 Division Street, MS-1
Port Orchard, WA 98366

To State:
Brad Pruitt
Transactions Manager
South Puget Sound Region
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

With Copy to:
Cindy Neff
Property and Acquisition Specialist
Asset Management and Recreation Division
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

The foregoing addresses may be changed by written notice.

SECTION 17 MISCELLANEOUS

17.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties. No other prior and contemporaneous negotiations, understandings and agreements, whether oral or written shall be deemed to exist or bind any of the parties hereto.

17.2 Binding Nature. All rights and obligations arising out of this Agreement shall inure to the benefit of and be binding upon the respective successors, heirs, assigns, administrators, executors and marital communities, if any, of the parties hereto.

17.3 Washington Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

17.4 Time of the Essence. Time is of the essence of this Agreement. No waiver or consent to any breach or other default in the performance of any of the terms of this Agreement shall be deemed to constitute a waiver of any subsequent breach of the same or any other term or condition hereof. In the event time for performance falls on a weekend or legal holiday designated by the United States or Washington State, performance shall be deemed to be timely rendered if so rendered on the next business day.

17.5 Captions. The captions and section headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any section.

17.6 Invalidity. If any provisions of this Agreement shall be invalid, void or illegal, it shall in no way affect, impair or invalidate any of the other provisions hereof.

17.7 Counterparts. This Agreement may be signed in counterparts, any one of which shall be deemed an original.

17.8 Date of Agreement. The Date of this Agreement shall be the date on which the last party executes this Agreement. Said date shall be inserted on the first page hereof when such date is determined.

17.9 Good Faith. Both parties shall act reasonably and in good faith in order to consummate this transaction, and neither party shall sell nor dispose of any of the property nor cause or suffer the creation of any matter of record, or defect in the title to the property for the purpose of avoiding its obligation to close.

17.10 Default. In the event that either party defaults in the performance of any of that party's obligations under this Agreement, the non-defaulting party shall have all remedies available in law or equity, but neither party shall be liable for consequential damages.

17.11 Assignability. This Agreement shall not be assigned without the prior written consent of the other party.

17.12 Advice of Counsel. Exchanger acknowledges that it has had an opportunity to seek independent legal advice regarding the transaction.

17.13 Recording. Either party may file a memorandum of the Agreement with the county auditor.

17.14 Exhibits. The following exhibits are attached and shall be incorporated into this Agreement by reference.

Exhibit A	Legal Description for Exchange Property
Exhibit A-1	Statutory Warranty Deed
Exhibit A-2	Assignment and Assumption of Lease
Exhibit A-3	Kitsap Rifle and Revolver Club Lease
Exhibit B	Legal Description for State Property
Exhibit B-1	Form of State's Mineral Reservation
Exhibit B-2	Legal Description of State Reserved Easement Parcels
Exhibit B-3	Form of State's Easement Reservation
Exhibit B-4	Quit Claim Deed
Exhibit B-5	Tenant Estoppel Certificate
Exhibit C	Notice of Continuing Forest Obligation
Exhibit D	Conservation Easement

17.15 Future Access. After Closing, if other rights are needed to provide access to the lands exchanged hereunder, State and Exchanger will cooperate by granting such easements, temporary permits, or licenses as needed with reasonable compensation to be agreed upon by the parties. This subsection 17.15 (c) is intended as a memorandum of understanding only and is not intended as a term of this Agreement. Failure of either party to honor this understanding will not be considered a breach of this Agreement nor grounds to invalidate this Agreement.

17.16 Submission. This Agreement must be executed by Exchanger, and an original delivered to State, at the address set forth in this Agreement, on or before 4:00 p.m. on May 8, 2009, to be considered by State. This Agreement shall not be binding upon State until signed by an authorized representative of State.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year set forth opposite their respective names.

EXCHANGER:

KITSAP COUNTY PARKS AND RECREATION DEPARTMENT

Date: _____, 2009.

_____

By:_____

Title:_____

STATE:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 2009.

_____
Peter Goldmark
Commissioner of Public Lands

Exchange Agreement
Approved as to Form this ____ day of
_____, 2009.

_____
Assistant Attorney General
State of Washington

[CORPORATION NOTARY]

ACKNOWLEDGMENT

STATE OF)
)ss
COUNTY OF)

On this _____ day of _____, 20 __, personally appeared before me _____to me known to be the _____ of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that **he/she/was** **they were** authorized to execute said instrument for said corporation and that the seal affixed is the corporate seal of the said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____
Notary Public in and for the State of
_____, residing at _____.

My appointment expires _____.

[COMMISSIONER NOTARY]

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
County of Thurston)

On this _____ day of _____, 2009, personally appeared before me PETER GOLDMARK, to me known to be the Commissioner of Public Lands, and ex officio administrator of the Department of Natural Resources of the State of Washington, the Department that executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the official seal of the Commissioner of Public Lands for the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

_____
Notary Public in and for the State of
Washington, residing at _____.

My appointment expires _____.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A

Kitsap County property to be conveyed to State

PARCEL I:

THE NORTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL II:

THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL III:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IV:

THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL V:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VII:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VIII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL X:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XI:

THE EAST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XII:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIII:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIV:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XV:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVI:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVII:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVIII:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XX:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIII:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIV:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXV:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVI:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVII:

THAT PORTION OF PARCEL B CONVEYED BY STATUTORY WARRANTY DEED UNDER AUDITOR'S FILE NO. 200404190409 DESCRIBED AS: THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, BEING THAT PORTION OF GOVERNMENT LOT 13, SAID SECTION 2,

EXCEPT THAT PORTION LYING WITHIN THE PLAT OF WILDCAT LAKE TRACTS, ACCORDING TO THE PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 31, RECORDS OF KITSAP COUNTY, WASHINGTON.

PARCEL XXVIII:

THAT PORTION OF GOVERNMENT LOT 8, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF SAID GOVERNMENT LOT 8 (ALSO BEING THE EAST QUARTER CORNER OF SAID SECTION 2); THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 2, A DISTANCE OF 400 FEET; THENCE WEST TO THE EAST LINE OF NW WILDCAT LAKE ROAD; THENCE NORTHERLY ALONG SAID EAST LINE OF NW WILDCAT LAKE ROAD TO THE NORTH LINE OF SAID GOVERNMENT LOT 8; THENCE EAST ALONG SAID NORTH LINE TO THE POINT OF BEGINNING.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-1
Statutory Warranty Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

STATUTORY WARRANTY DEED
Kitsap County

Grantor:	KITSAP COUNTY PARKS AND RECREATION
Grantee:	STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES
Legal Description:	NW4SW4, NE4SW4, SW4SW4, SE4SW4 of 1-24N-1W, and NE4NE4, SE4NE4, NE4SW4, SE4SW4, NW4SE4, NE4SE4, SE4SE4, SW4SE4 of 11-24N-1W, and NW4NW4 of 12-24N-1W and SE4SE4 and Govt. Lot 8 of 2-24N-1W.
Tax Parcel Number:	012401-3-001-1001, 012401-3-002-1000, 012401-3-003-1009, 012401-3-004-1008, 012401-3-005-1007, 012401-3-006-1006, 012401-3-007-1005, 012401-3-008-1004, 112401-1-016-1006, 112401-1-017-1005, 112401-1-018-1004, 112401-1-019-1003, 122401-2-007-1004, 122401-2-008-1003, 112401-3-027-1009, 12401-3-028-1008, 112401-4-001-1007, 112401-4-002-1006, 112401-4-003-1005, 112401-4-004-1004, 112401-3-029-1007, 112401-3-030-1004, 112401-4-005-1003, 112401-4-006-1002, 112401-4-007-1001, 112401-4-008-1000, 022401-4-025-1000, And 022401-4-002-1007.

THE GRANTOR, KITSAP COUNTY PARKS AND RECREATION, for and in consideration of the conveyance by the State of Washington of real property of equal value, hereby conveys and warrants to the STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES, GRANTEE, the real property situated in Kitsap

County, State of Washington, more particularly described in the attached Exhibit A and subject to the exceptions and encumbrances set forth in the attached Exhibit B.

Dated this _____ day of _____, 20___.

By _____

Title _____

DNR Exchange No. 86- 081861

Exhibits
Ackowledgement

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-2

(Form of Assignment of Lease Agreement)

After Recording Return To:
Department of Natural Resources
Asset Management and Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Agreement is between the State of Washington, acting through the Department of Natural Resources ("Assignor") and Kitsap County ("Assignee").

Assignor will transfer certain real property to the Assignee, the legal description which is contained in that certain lease between State of Washington as landlord and KITSAP RIFLE AND REVOLVER CLUB as lessee dated November 17, 2003 under Lease No. 60-B068979. Assignor wishes to assign its rights under the lease as landlord to Assignee and Assignee is willing to assume all of Assignor's obligations under the lease.

NOW THEREFORE, the parties agree as follows:

1. Assignment. Assignor hereby assigns to Assignee all of Assignor's rights, obligations and interests in and to the lease.

2. Assumption. Assignee hereby assumes any and all of Assignor's obligations arising under the lease after the date of this assignment and agrees to indemnify Assignor against and hold Assignor harmless from any and all liabilities, costs, losses, damages, claims or expenses, including, without limitation, reasonable attorney's fees, arising out of the obligations assumed herein.

ASSIGNOR
State of Washington
Department of Natural Resources

_____

_____
Date

ASSIGNEE

_____

_____
Date

CONSENT AND RELEASE

The lessee, _____, hereby consents to the transfer of the property to Assignee subject to the lease and releases Assignor from any and all liability arising under the lease after the date of this agreement.

LESSEE

_____

_____
Date

Pre-approved as to Form
February 12, 2001 by
James Schwartz
Assistant Attorney General

EXHIBIT A-
3

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
DOUG SUTHERLAND, Commissioner of Public Lan

SPECIAL USE LEASE

Lease No. 60-B068979

BY THIS LEASE (hereinafter "Agreement"), the STATE OF WASHINGTON, Department of Natural Resources, (hereinafter "State") leases to KITSAP RIFLE AND REVOLVER CLUB (hereinafter "Lessee") the premises in Kitsap County, Washington, the legal description of which is set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. Said premises and rights leased hereby are hereinafter referred to as the "Premises".

SECTION 1 OCCUPANCY

1.01 Lease Term. This Agreement shall commence on March 1, 2003 ("Commencement Date") and expire on February 27, 2018.

1.02 No Warranty of Quiet Enjoyment. State makes no warranty of quiet enjoyment of the Premises.

1.03 Condition of Premises. Lessee has had an opportunity to inspect Premises and enters into this Agreement solely in reliance on Lessee's own examination and not by reason of any representation by State. Premises are accepted in its present condition "AS IS WHERE IS". No reliance shall be placed on any opinion, material, or information provided by or through State, and Lessee does so at its own risk, cost and expense.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this Agreement, the following uses and no other uses are permitted:

Intensive use and occupancy containing Lessee's improvements, roads, parking areas, open shooting range, targets, and associated infrastructure.	8 Acres
Timberlands, wetlands and similar resource-oriented lands passively utilized by Lessee to provide buffer and safety zones for Lessee's shooting range.	64.41 Acres

In the event the Lessee desires a change in acreage or use, authorization must be obtained in advance and in writing from the State. Approval may be conditioned upon adjustment of the payment in accordance with changes in acreage or use.

SECTION 3 PAYMENT

Payments made hereunder will be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

3.01 Rent. The Lessee shall pay to the State, at Olympia, Washington 98504, in advance, the required rent of $7,200.00 for the period of March 1, 2003 to February 27, 2004 and annually thereafter subject to adjustment under Subsection 3.06.

8,124.47
w/LHT

3.02 Leasehold Tax. Lessee shall pay to State, the leasehold tax as set forth in RCW Chapter 82.29A - Leasehold Excise Tax as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

3.03 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected, except as expressly provided in Subsection 13.06 (Condemnation).

3.04 Interest Charged for Past-Due Rent and Other Sums Owed. Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the Commencement Date hereof), until paid, on rent or other sums owing under the terms of this Agreement commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this Agreement, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.05 Late Charge for Failure to Pay. In the event the Lessee fails to make any payment of rent due hereunder upon the date due, the State shall be entitled to collect from the Lessee a late charge equal to six percent (6%) of the amount of the delinquent payment. Any failure to pay rent or any amount specified in this Section 3, or any other amount to be paid by the Lessee under terms of this Agreement within thirty (30) days of the date due, shall be a material default hereunder by the Lessee and such default shall entitle the State to pursue all remedies specified in this Agreement, including the right to terminate this Agreement, though failure to exercise such right shall not be construed as a waiver of the right and thereafter pursue any remedies available at law or equity, including those contained in Chapter 59.12 RCW.

3.06 Adjustment of Rent. Beginning on the fifth anniversary of the Commencement Date, and at intervals of five (5) years thereafter (the "Adjustment Date"), a new annual rental will be established. In no event will the adjusted annual rental be less than the previous annual rental. Adjusted rental values established after the designated Adjustment Date shall be due retroactive to such Adjustment Date. The method for such adjustment shall be selected solely by the State from the following options:

(a) Increase of the current annual rent by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), US City Average (1982-84=100), between the date five (5) years previous to the Adjustment Date and the Adjustment Date, i.e., adjusted rental amount equals current annual rent times CPI as of current Adjustment Date divided by CPI as of date five (5) years previous. In the event the CPI ceases to be published, the State may substitute such other comparable cost of living index as then may be in publication by a comparable governmental agency.

(b) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through evaluation of pertinent market evidence by State lease administrator and/or other appropriate State personnel.

(c) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through formal appraisal by State's appraiser, certified general appraiser under contract with the State, or such other appraiser as may be agreed to by State. Such appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Institute.

The market value will be determined exclusive of Lessee's improvements and as though ownership were in fee simple, not encumbered by lease.

Under (b) and (c) above, the new annual rental above shall be computed by multiplying the market value of the Premises by the then current Prime Rate as of the Adjustment Date plus 200 basis points (Prime Rate + 2.0%). The term "Prime Rate" shall mean the Prime Rate as published in The Wall Street Journal from time to time (or the average Prime Rate if more than one is published), any change in such Prime Rate to effect a change in the rate charged hereunder on the date of each such change. If The Wall Street Journal ceases to be published or ceases to publish a Prime Rate, then State shall designate another nationally recognized business publication which publishes such a rate or such rates which does, in the reasonable opinion of State, represent the "Prime Rate" as defined herein.

3.07 Failure to Adjust Not Waiver. Failure of State to adjust rent pursuant to Subsection 3.06 above at the end of any five (5) year period, shall not be a waiver by State of the right to adjust rent at the end of any subsequent five (5) year period. State shall retain the right, for so long as this Agreement remains in effect, to adjust rent as of the end of any five (5) year period, as though all prior adjustments had been made in accordance with the above provisions.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this Agreement. Failure to inspect or enforce compliance shall not be construed as a waiver of the State's right to declare a breach, nor relieve Lessee of any liability to the State for any breach of the terms, conditions, or requirements of this Agreement.

4.02 Compatible Uses. State reserves for itself, its successors and assigns, the right at all times for any purpose to cross and re-cross the Premises at any place or grade, to grant easements/licenses over or leases to the Premises, to sell, or otherwise dispose of minerals, coal, oil, timber, gas, or other valuable materials from the Premises insofar as the State's activities on the Premises and any grant of rights the State makes to any person or entity shall not unreasonably interfere with the activities permitted hereunder.

4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.

SECTION 5 SPECIAL RESTRICTONS

5.01 Permits and Conformance With Laws.

(a) Lessee shall obtain all building permits and other required permits, licenses, permissions, consents, and approvals from governmental agencies or third parties in connection with this Agreement and Lessee's permitted use including construction of any improvements, changes, alterations, additions, repairs, maintenance to or replacement of the Premises, or for the conduct of any business upon the Premises at the sole cost and expense of Lessee. Copies of such permits, licenses, permissions, consents, and approvals shall be supplied to State on request.

(b) Lessee shall conform to all applicable laws, regulations, permits, orders, or requirements of any public authority affecting the Premises and the use thereof, and shall correct at the Lessee's own cost and expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use. In no event shall Lessee undertake or suffer any activity to be conducted upon the Premises which constitutes a nuisance or which is a threat to the health or welfare of the general public.

(c) Lessee shall cause all work on the Premises and all business conducted thereon during the term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

5.02 Other Restrictions on Use.

(a) Lessee shall cut no State timber or remove State-owned valuable material, without prior written consent of the State. Prior to State's authorization for the cutting of timber, or removal of valuable material, the Lessee must pay to the State the fair market value of the timber or valuable material, as determined by the State.

(b) Lessee shall take all reasonable precautions to protect the land and improvements on the Premises from fire, make every reasonable effort to report and suppress such fires as may affect the Premises, and shall be subject to applicable fire laws affecting the Premises.

(c) Lessee shall prevent accumulation of equipment parts or "bone yards" on the Premises.

(d) This Agreement does not convey rights to media uses, communication sites, or any use on the Premises other than those expressly stated in this Agreement.

5.03 Habitat Conservation Plan. The Premises are located within an area that is subject to State's Habitat Conservation Plan adopted in connection with Incidental Take Permit No. PRT-812521 (ITP) as supplemented by Permit No. 1168 (Collectively "ITP"). As long as the Habitat Conservation Plan remains in effect, Lessee and all persons acting under Lessee shall comply with the terms and conditions set forth in Exhibit 5A while operating on the Premises. State shall have the right to modify these terms and conditions from time to time to comply with the Habitat Conservation Plan, the ITP, the Endangered Species Act, the implementing regulations, and amendments thereto, or the requirements of the federal agencies administering these laws.

SECTION 6 UTILITIES, TAXES, LIENS

6.01 Utilities and Maintenance. During the term of this Agreement, Lessee shall pay all expenses incurred by Lessee in the use, enjoyment, and operation of the Premises, including, but not limited to, utility charges and all costs of maintaining and repairing the Premises and all improvements thereon whether now existing or hereafter installed. Lessee shall indemnify and hold the State harmless against any loss, liability, or expense resulting from any failure of Lessee to pay all such charges when due.

6.02 Taxes and Assessments.

(a) Lessee shall pay during the term of this Agreement all taxes and other governmental charges of any kind applicable or attributable to the installation of Lessee owned improvements on the Premises, Lessee's leasehold interest therein, and Lessee's use and enjoyment thereof.

(b) Lessee shall pay its prorated share of all assessments that are legally required to be paid now or may be charged during the Agreement term to the Premises or Lessee owned improvements thereon. Lessee shall not cause or suffer the imposition of any assessment upon the Premises without the prior written consent of State. In the event any new assessment is proposed which affects the Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Premises shall be made in compliance with all applicable statutes, including, but not limited to, Chapter 79.44 RCW.

6.03 Lessee Liens. Lessee shall not suffer or permit any lien to be filed against the State's interest in the Premises, or improvements thereon by reason of work, labor, or services performed thereon or materials supplied to, by or through the Lessee. If any such lien is filed, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in

writing by the State in advance. Lessee shall indemnify the State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to termination or cancellation of this Agreement.

SECTION 7 LESSEES INDEMNITY; INSURANCE REQUIREMENTS

7.01 Indemnity. Lessee releases and shall indemnify and defend (with counsel acceptable to State) State, its employees, officers, and agents from and against any and all claims arising out of the use, occupation or control of the Premises by Lessee, its agents, and employees. A "claim" as used in this subsection means any claim of any nature whatsoever for penalties, financial loss, damages (including but not limited to bodily injury, sickness, disease or death, or injury to or destruction of property, land and other natural resources including the loss of use thereof), costs or expenses (including but not limited to attorney's fees), whether or not resulting in a suit or action or reduced to judgment. This release and the obligation to indemnify shall not be eliminated or reduced by the concurrent negligence of the State, its officials, employees, or agents, except as provided in this subsection. To the extent that RCW 4.24.115 applies, Lessee shall not be required to indemnify State from State's sole or concurrent negligence. Lessee waives its immunity under Title 51 to the extent it is required to indemnify the State herein.

7.02 Insurance Requirements. Lessee shall, at all times during the term of this contract at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance may result in the termination of the contract at State's option.

All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the department's risk manager before the contract is accepted. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications:

1. Insurers subject to Chapter 48.18 RCW (admitted and regulated by the Insurance Commissioner): The insurer shall give the State 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

2. Insurers subject to Chapter 48.15 RCW (surplus lines): The State shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

Before starting work, Lessee shall furnish with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements

specified in the contract and, if requested, copies of polices to State. The certificate of insurance shall reference the State of Washington, Department of Natural Resources, and the lease number.

Lessee shall include all subcontractors as insured under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each subcontractor. Subcontractor(s) must comply fully with all insurance requirements stated herein. Failure of subcontractor(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella, and property insurance policies.

All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this contract. All insurance policies must expressly waive any right of subrogation by the insurance company against the State and the State's officials, employees, and agents.

If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this contract.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Commercial General Liability (CGL) Insurance. Lessee shall maintain general liability (CGL) insurance covering claims for bodily injury, personal injury, or property damage arising on the property and/or out of Lessee's operations and, if necessary, commercial umbrella insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insured (cross liability) condition.

Employer's Liability ("Stop Gap") Insurance. Lessee shall buy employers liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

Workers' Compensation Coverage. Lessee shall comply with all State of Washington workers' compensation statutes and regulations. Workers' compensation coverage shall be provided for all employees of Lessee and employees of any subcontractor or sub-subcontractor. Coverage shall include bodily injury (including death) by accident or disease, which exists out of or in connection with the performance of this contract. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers' compensation, employer's liability, commercial general liability, or commercial umbrella liability insurance.

If Lessee, subcontractor or sub-subcontractor fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee or subcontractor or sub-subcontractor employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such employees.

Business Auto Policy (BAP). Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01. Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

Builders Risk Insurance. If applicable, Lessee shall buy and maintain in force builders risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance shall be written on a completed form and in an amount equal to the value of the completed building, subject to subsequent modifications to the sum. The insurance shall be written on a replacement cost basis. The insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

Insurance described above shall be written to cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse. Insurance described above shall cover the entire work at the site including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property shall include portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding, falsework, and temporary buildings located at the site. The policy shall cover the

cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance or regulation.

Any deductible applicable to the insurance bought in compliance with the policy described above shall be identified in the contract documents and the responsibility for paying the part of any loss not covered because of application of deductible(s) shall be the responsibility of the Lessee. If any part of any loss is not covered because of the application of a deductible amount not identified in the contract documents, Lessee will pay such loss. Lessee shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by State. If testing is being performed, such insurance shall cover such operations. This insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

SECTION 8 WEEDS, HARMFUL SUBSTANCES

8.01 Weed Control. Lessee shall control all weeds on the Premises. Lessee shall be responsible for, or shall immediately reimburse State for, any all weed control cost incurred, as a result of Lessee's failure to control all weeds on said Premises.

Lessee shall prevent weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new weeds. Weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of Washington State and Federal law.

Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

a. Preventing weed problems;

b. Monitoring for the presence of weed species;

c. Establishing the density of the weed population (which may be zero) that can be tolerated;

d. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

e. Evaluating the effects and efficacy of weed control treatments.

8.02 Hazardous, Toxic, or Harmful Substances.

(a) Deleterious Material. Lessee shall not make, or suffer to be made, any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by the State, or unless permitted by Subsection 2.01 (Permitted Use). If the Lessee fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, the Lessee agrees that the State may, but is not obligated to, remove such materials and charge the Lessee for the cost of removal and disposal.

(b) Hazardous, Toxic, or Harmful Substances.

(1) Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use under Subsection 2.01 (Permitted Use) and unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall:

(i) Immediately notify the State of: all spills or releases of any Hazardous Substance affecting the Premises; all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended; all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises; and all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises; and

(ii) On request, provide copies to the State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises.

(2) Lessee shall be fully and completely liable to the State, and shall indemnify, defend, and save harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

SECTION 9 ASSIGNMENTS

Assignment. Lessee shall not hypothecate, mortgage, assign, sublease, transfer, or otherwise alienate this Agreement ("Assignment"), or any interest therein, without the prior written consent of State, which consent shall not be unreasonably withheld. In granting any such consent under this clause State shall be entitled to consider, among other items, the proposed assignee's, sublessee's or transferee's financial condition, business reputation, business, and such other factors as may reasonably bear upon the suitability of the assignee, sublessee, or transferee as lessee of the Premises. If Lessee is a corporation, partnership, or other association, (1) the transfer of more than fifty percent (50%) of the ownership interest in such entity, or (2) the sale of all or substantially all of the assets of Lessee shall be deemed to constitute an "assignment" of this Agreement which requires consent of State. The consent of State to any one assignment shall not constitute a waiver of State's right to consent to subsequent assignments, nor shall consent of State to any one assignment relieve any party previously liable as Lessee from any obligations under this Agreement, who shall remain joint and severally liable as primary obligor and not as surety. The acceptance by State of the payment of rent following an assignment shall not constitute consent to any assignment and State's consent shall be evidenced only in writing. The State may require reimbursement for any additional administrative costs resulting from the assignment.

SECTION 10 IMPROVEMENTS

10.01 Authorized Improvements. No improvement shall be placed on the Premises without the prior written consent of the State. Consent may be granted through this Agreement resulting in the State's approval of the authorized improvements listed herein as Exhibit 10A, or by written Letter of Authorization issued by the State.

10.02 Plan Approval. The plans or specifications for the construction of the authorized improvements listed on Exhibit 10A or authorized by Letter of Authorization issued by State, and for such changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval.

10.03 Ownership of Improvements. During the Term of this Agreement, the improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, all improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of State, unless State requires their removal pursuant to Section 10.04 below. Throughout the term of this Agreement, Lessee shall not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Premises for work or labor done, services performed, or materials used or furnished to be used in or about the Premises for or in connection with any construction, improvements or maintenance or repair thereon made or permitted to be made by Lessee, its agents, or sublessees. Any liens, encumbrances or claims of third parties with respect to any of the foregoing, shall be expressly subordinate and subject to the rights of State under this Agreement.

10.04 Condition at End of Lease. Upon vacating the Premises on the termination date, Lessee shall leave the Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Agreement and shall peaceably surrender the same to State. At the option of State, Lessee shall at its sole expense remove all improvements constructed by Lessee upon the Premises and return the Premises to grade level free of all debris.

10.05 Surety Bond. A surety bond, certificate of deposit assignment, or letter of credit may be required by State to assure completion of construction or development of any improvements costing in excess of $2,500.

10.06 Hold Harmless. Lessee shall indemnify, defend and hold harmless State and the Premises from and against all claims and liabilities arising by virtue of or relating to construction of the authorized improvements or repairs made at any time to the authorized improvements (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the State of Washington, with respect to all aspects of such work and materials therefore, and will make them available for inspection by State or its representatives as requested.

10.07 Permits; Compliance with Codes. Lessee shall cause all work on the Premises during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction. Lessee is responsible, at Lessee's sole cost and expense, to cause the authorized improvements and the Premises to comply with all applicable governmental laws, statutes, rules, regulations and/or ordinances that apply to the Premises during the Agreement Term, whether now in effect, or hereinafter adopted or enacted.

10.08 State's Repairs. State shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Premises, or any part thereof, during the term of this Agreement.

10.09 Lessee's Repairs, Alteration, and Maintenance. Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this Agreement, and keep and maintain the whole of the premise, including all improvements in a clean, sanitary and attractive condition.

SECTION 11 ROADS (NOT APPLICABLE)

SECTION 12 DEFAULT AND REMEDIES

12.01 Default. In the event of any material breach of any provision of this Agreement by Lessee, the breach, after expiration of any grace period as provided in this subsection, shall be

deemed a default entitling State to cancel this Agreement and seek any other remedies set forth in this Agreement or otherwise available at law or equity. State shall deliver to Lessee notice of the breach and a demand that the same be remedied immediately. Lessee shall not be in default if the breach pertains to the payment of money and Lessee cures the breach within thirty (30) days of receipt of the notice, or if the breach pertains to a matter other than the payment of any monies due under this agreement, Lessee shall after receipt of the notice promptly commence to cure the breach and shall cure the breach within forty-five (45) days after receipt of the notice. If such breach is non-monetary in nature, and, as determined by State, is not reasonably susceptible of being cured in said forty-five (45) days (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), Lessee shall commence to cure such breach within said period and diligently pursue such action with continuity to completion. If Lessee fails to cure a default, all Lessee owned improvements shall at the option of State, be removed by Lessee, be removed by State at the cost to Lessee, or become the property of State.

12.02 Reentry. In the event of any default by Lessee, State shall have the right, with or without canceling the Agreement, to reenter the Premises and remove all persons and property from Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this Agreement unless a written notice of termination is given to Lessee.

12.03 Termination of Agreements. Whether or not State elects to terminate this Agreement on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions or other arrangement for possession affecting Premises. Alternatively, State, in its sole discretion, may succeed to Lessee's interest in such sublease, license, concession or arrangement, and Lessee shall have no further right to or interest in the rent or other consideration receivable thereunder.

12.04 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this Agreement and shall continue as obligations until fully performed. All clauses of this Agreement that require performance beyond the termination or expiration date shall survive the termination or expiration date of this Agreement. Upon expiration or earlier termination of this Agreement, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements hereon, unless specified otherwise in this Agreement, shall cease.

12.05 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, the State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to the Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

12.06 Remedies Cumulative. The specified remedies to which the State may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this Agreement.

12.07 Nonwaiver. Waiver by the State of strict performance of any provision of this Agreement shall not be a waiver of nor prejudice the State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by the Lessee of any provision of this Agreement shall not constitute a waiver of any right of the State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall expressly do so in writing.

12.08 Force Majeure. The Lessee's failure to comply with any of the obligations under this Agreement shall be excused only if due to causes beyond Lessee's control and without the fault or negligence of the Lessee, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

12.09 Insolvency of Lessee. If the Lessee becomes insolvent, a receiver is appointed, or Lessee's interest is transferred by operation of law by reason of insolvency, the State may terminate this Agreement at its option. Insolvency as used herein will mean the inability of the Lessee to meet its monetary obligations under this Agreement as they come due.

SECTION 13 GENERAL PROVISIONS

13.01 Governing Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

13.02 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the activities conducted and business carried on under this Agreement, and the State shall have no obligation with respect to the Lessee's debts or other liabilities.

13.03 Lessee's Authority. Persons executing this Agreement on behalf of Lessee represent that they are authorized to do so and represent and warrant that this Agreement is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

13.04 State's Authority. This Agreement is entered into by State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this Agreement which may lawfully be enacted subsequent to the date of this Agreement.

13.05 Preservation of Markers. Lessee shall not destroy any land survey corner monuments and reference points (including but not limited to corner markers, witness objects, or line markers) without prior written approval from the State, which shall not be unreasonably withheld. Monuments or reference points that must necessarily be disturbed or destroyed during construction or operations must be adequately referenced and replaced, at the Lessee's cost, under the direction of a State of Washington Professional Land Surveyor, in accordance with all applicable laws of the State of Washington, including but not limited to RCW 58.24, and all relevant Department of natural Resources regulations.

13.06 Condemnation. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, this Agreement terminates as of the date the condemner takes possession. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, the State or Lessee may choose to terminate this Agreement as of the date the condemner takes possession. If either the State or Lessee elects to terminate this Agreement, the rents or other charges to be paid by Lessee will be apportioned by the State and paid by the Lessee to the date of taking. If neither the State nor Lessee elects to terminate this Agreement, the rent will be reduced in the same proportion that the value of the portions of the site to be taken bears to the value of the entire site as of the date condemner takes possession.

If the taking is for a period which will end on or extend beyond the expiration of the term of this Agreement, Lessee will have no claim or interest in or to any award of damages for the whole or partial taking of the site, except that the Lessee will be entitled to an amount equal to the fair market value of any improvements as of the date of taking (except trade fixtures) considered by this Agreement to be owned by the Lessee taken by the condemner.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Agreement will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the Premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

13.07 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.
Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of the State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

13.08 Time of Essence. Time is expressly declared to be of the essence of this Agreement and each and every covenant of Lessee and the State hereunder.

13.09 Amendments. Any amendments, revisions, supplements, or additions to this Agreement or the attached exhibits shall be made in writing executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.

13.10 Entire Agreement. This written Agreement or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

13.11 Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

13.12 Attorney Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the prevailing party shall be entitled to reasonable attorney fees, paralegal fees, accountant and other expert witness fees and all other fees, costs and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

13.13 Notices and Submittals. Any notice or submittal given under this Agreement shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted. Changes of address may be given in accordance with this section. Any notice or submittal given under this Agreement shall be:

To the State:

Where Agreement provisions require submittal to State office:
Department of Natural Resources
Product Sales and Leasing Division
P.O. Box 47061
Olympia, WA 98504-7061

Where Agreement provisions require submittal to the State at its Region office:

Department of Natural Resources
South Puget Sound Region Region
950 Farman Avenue North
Enumclaw, WA 98022

To the Lessee at the address affixed with signature or Lessee's last known address.

13.14 Exhibits. This agreement is subject to the terms and conditions of exhibits referenced herein, which are attached hereto and by this reference made a part hereof.

Exhibits: 1A - Legal Description and Encumbrances, 5A - HCP Requirements, 10A - Authorized Improvements

KITSAP RIFLE AND REVOLVER CLUB

Dated: Nov. 12, 2003.

BRAD SMITH, PRESIDENT

Address: 4900 Seabeck Hwy NW
Bremerton, WA 98312

Phone: (360) 373-1007

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: November 17, 2003.

ART TASKER,
South Puget Sound Region Manager

Approved as to form this
27 day of February, 2003
Jim Schwartz, Assistant Attorney General

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Art Tasker is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the Region Manager of Washington State Department of Natural Resources, South Puget Sound Region to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: November 17, 2003

(Seal or Stamp)

Floella C. McKinley
NOTARY PUBLIC in and for the
State of Washington
My appointment
expires 6/29/04
expires

FLOELLA C. MCKINLEY
COMMISSION EXPIRES
NOTARY
PUBLIC
6-29-04
STATE OF WASHINGTON

EXHIBIT 10A
Authorized Improvements

(1) One 12 foot X 120 foot covered rifle position shooting building.

(2) One 12 foot X 105 foot covered pistol position shooting building.

(3) One 12 foot X 20 foot storage shed.

(4) One 8 foot X 12 foot target shed.

(5) Electrical meter service panel and power poles.

EXHIBIT 5A
HCP REQUIREMENTS

1. The Lessee shall immediately notify the State of new locations of Permit species covered in the Incidental Take permit (ITP) that are discovered within the leased Premises covered by the Habitat Conservation Plan (HCP), including, but not limited to: locations of occupied murrelet habitat; spotted owl nest sites; wolves; grizzly bears; nests, communal roosts, or feeding concentrations of bald eagles; peregrine falcon nests; Columbian white-tailed deer; Aleutian Canada geese; and Oregon silverspot butterflies. In all circumstances notification must occur within a 24 hour time period.

2. Upon locating any live, dead, injured, or sick specimens of any listed species covered by the ITP within the leased Premises the Lessee shall immediately notify the State. In all circumstances notification must occur within a 24 hour time period. Lessee may be required to take certain actions to help the State safeguard the well being of any live, injured or sick specimens of any listed species discovered, until the proper disposition of such specimens can be determined by the State.

3. Lessee shall refer to ITP number PRT-812521 (a copy of the ITP is located for reference in the region office) in all correspondence and reports concerning Permit activities.

4. All applicable provisions of the ITP and this schedule must be presented and clearly explained by Lessee to all authorized officers, employees, contractors, or agents of Lessee conducting authorized activities on the Property. Any questions Lessee may have about the ITP should be directed to the State.

5. At this time, the following sensitive areas, conditions or species have been identified on the Premisis. Contact the State for more information on the identified areas.

Riparian Management Zones

Bodies of water, including but not limited to those streams, rivers and lakes and other lakes and wetlands have been identified and/or may be located on the Premises. All activities within the Riparian Management Zone, as defined in the HCP and including that portion of the inner riparian ecosystem between the aquatic zone and the direct influence zone (uplands) and including the outer wind buffer, must comply with the current HCP Procedures. Activities in a Riparian Management Zone, including but not limited to cutting or removing any tree and/or timber (including hardwood, merchantable and unmerchantable timber, downed timber, windthrow and snags), and road, trench and/or trail use, and/or maintenance, may be restricted or not permitted during specific times. All activities must provide for no overall net loss of naturally occurring wetland acreage and function.

State Property to be conveyed to Kitsap County
STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
State Land Survey Unit
PO Box 47030
Olympia, WA 98504-7030

Dated 4-6-09

FILENAME:L2269 S25 T25 R1W

EXHIBIT B-1
(State's Mineral Reservation)

Mineral Reservation

The Grantor hereby expressly saves, excepts, and reserves out of the grant hereby made, unto itself and its successors and assigns forever, all geothermal steam and heat and all metals, oils, gases, coal, ores, minerals, and fossils of any nature whatsoever and of every name, kind, or description (excluding surface minerals such as rock, sand and gravel) in, under or upon that portion of the land legally described on the attached Exhibit B-2 (the "Mineral Land"), or any part thereof, and the right to explore the same for such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils; and it also hereby expressly saves and reserves out of the grant hereby made, unto itself and its successors and assigns forever, the right to enter by itself or its agents, attorneys, and servants upon the Mineral Land, or any part or parts thereof, at any and all times, for the purpose of opening, developing, and working mines thereon, and taking out and removing therefrom all such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its successors and assigns, forever, the right by its or their agents, servants, and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, and railroads, sink such shafts, remove such soil, and to remain on the Mineral Land or any part thereof for the business of mining and to occupy as much of the Mineral Land as may be necessary or convenient for the successful prosecution of such mining business, hereby expressly reserving to itself and its successors and assigns, as aforesaid, generally, all rights and powers in, to, and over said Mineral Land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and the rights hereby expressly reserved.

No rights shall be exercised under the foregoing reservation, by the Grantor or its successors or assigns (including a lessee under any oil and gas lease), until provision has been made by the Grantor or its successors or assigns to pay to the owner of the Mineral Land, or portion of the Mineral Land upon which the rights reserved herein to the Grantor or its successors or assigns are sought to be exercised, full payment for all damages sustained or to be sustained by said owner by reason of entering upon said Mineral Land and exercising such rights; PROVIDED, That if the owner of said Mineral Land from any cause whatever refuses or neglects to settle said damages, then the Grantor or its successors or assigns, or any applicant for a lease or contract from the state for the purpose of prospecting for or mining valuable minerals, or option contract, or lease, for mining coal, or lease for extracting petroleum or natural gas, shall have the right to institute such legal proceedings in the superior court of the county wherein the Mineral Land is situate, as may be necessary to determine the damages which said owner of said land may suffer; provided, however, the Mineral Land owner may, at its option, require that such determination be made by arbitration in accordance with the rules of the American Arbitration Association; provided, Grantor shall not be obligated to so arbitrate if Grantor's lessee under any applicable oil and gas lease is not legally required to so arbitrate.

As used in the foregoing paragraph, the term "damages" shall include, without limitation, actual and consequential damages, including loss of or damage to the surface, improvements, growing crops and timber, loss of future timber production, injury or damage to the Mineral Land owner's business operations thereon, all compensating or roll-back taxes arising or to arise from the loss of the forest land or timberland tax classification due to the exercise of any such reserved rights, and the cost of road maintenance, resurfacing and repair arising or to arise from the exercise of such reserved rights. To the extent the Mineral Land owner or its successors or assigns receives compensation for such damages from a successor or assign of Grantor (such as a lessee under an oil and gas lease) with respect to a particular activity or operation by such party, then Grantor shall not be required to make payment for such particular activity or operation (i.e., Mineral Land owner shall not be entitled to receive duplicative payment for damages for the same activity or operation).

EXHIBIT B-2
(Description of Areas Subject to State's Mineral Reservation)

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-3
RESERVATION OF EASEMENT ACROSS S-1 and S-2

Terms and Conditions of Reserved Easement by State

Grantor, as defined in that deed to which this reservation is attached, hereby reserves to itself, its successors and assigns, a permanent, nonexclusive Easement over parcels of land in Kitsap County, identified in Exhibit A to the deed as S-1 and S-2 and legally described as follows (hereafter Newberry Hill Parcel):

Parcel S-1
The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2
Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Said Easement to be sixty (60) feet in width running thirty (30) feet on each side of a centerline of an existing road(s) located approximately as shown on Exhibit B Easement Area (hereafter Easement Area).

Purpose. The Easement is reserved to provide access for any and all purposes, to and from lands owned by the Grantor. Authorized use shall include the right to travel, maintain, repair, construct or reconstruct the Easement Area.

Appurtenant. Subject to the terms and conditions herein, this Easement reservation is made to provide access to and from all real property owned by Grantor and all other real property of Grantor, now owned or acquired as of the execution date of this Quitclaim Deed or hereafter acquired by the Grantor (hereafter Benefited Parcel(s)).

Grantee Rights. Grantee, as defined in that deed to which this reservation is attached, shall have the right at all times for any purpose, to cross and recross the Easement Area at any place on grade or otherwise. Grantee may grant to third parties any or all of the rights reserved therein; provided, that use by such party shall be subject to the terms and conditions of this

Easement and shall not unreasonably interfere with the rights reserved to Grantor herein. Grantee shall own all timber now on or hereafter growing within the Easement Area and the right to remove said timber.

Relocation. Grantee shall have the right to relocate the Easement Area at the Grantee sole cost so long as the new location does not unreasonably interfere with the rights of Grantor herein.

Maintenance. The cost of road maintenance and resurfacing shall be allocated on the basis of respective uses of said roads. When any party uses a road, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of maintenance and resurfacing occasioned by such use as hereinafter provided. During periods when a road is being used solely by one party, such party shall maintain that portion of said road so used to the standards existing at the time use is commenced. During periods when more than one party is using the same road, or any portion thereof, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but shall not be limited to:

a. The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed at a reasonable and agreed-upon rate the maintenance and resurfacing of the road or the portion thereof being used; and

b. A method of payment by which each party using said road or a portion thereof, shall pay its pro rata share of the cost incurred by said maintainer in maintaining or resurfacing said road or portion thereof.

For purposes of this easement reservation, maintenance is defined as the work normally necessary to preserve and keep the roadway, road structure and road facilities as nearly as possible in their present condition or as hereafter improved.

Repairs. Each party using any portion of a road shall repair, or cause to be repaired, at its sole cost and expense, that damage to said road occasioned by it which is in excess of that which it would cause through normal and prudent usage. Should damage be caused by an unauthorized user, the cost of repair shall be treated as ordinary maintenance and handled as set forth above.

Improvements. Unless the parties agree in writing to share the cost of improvements in advance of such improvements being made, such improvements shall be solely for the account of the improver.

Permittees. The Grantor may permit its respective agents, contractors, licensees, lessees, purchasers of timber or other valuable materials, and their agents, hereinafter individually referred to as "Permittee" and collectively referred to as "Permittees," to exercise the rights reserved hereby.

Insurance. The State of Washington, including all its agencies and departments, is self insured for all exposures to tort liability, general liability, property damage liability and vehicle liability,

as provided in statute, but only as respects the negligence of the State. So long as the State of Washington continues to be the easement holder of this reservation, it shall not be required to carry insurance. Should the State's rights be assigned or transferred to another entity in whole or in part, such entity shall carry insurance as required below.

Before using any of said rights granted herein, the State's Successors and Assigns (Assignees) and Permittees shall obtain and keep in force the following liability insurance policies, insuring against liability arising out its operations, including use of vehicles, with the corresponding minimum amounts of coverage:

a. Commercial General Liability (CGL) insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the general aggregate limit shall be at least twice the "each occurrence" limit, and the products-completed operations aggregate limit shall be at least twice the "each occurrence" limit.

b. Employer's Liability ("Stop Gap") insurance, and if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

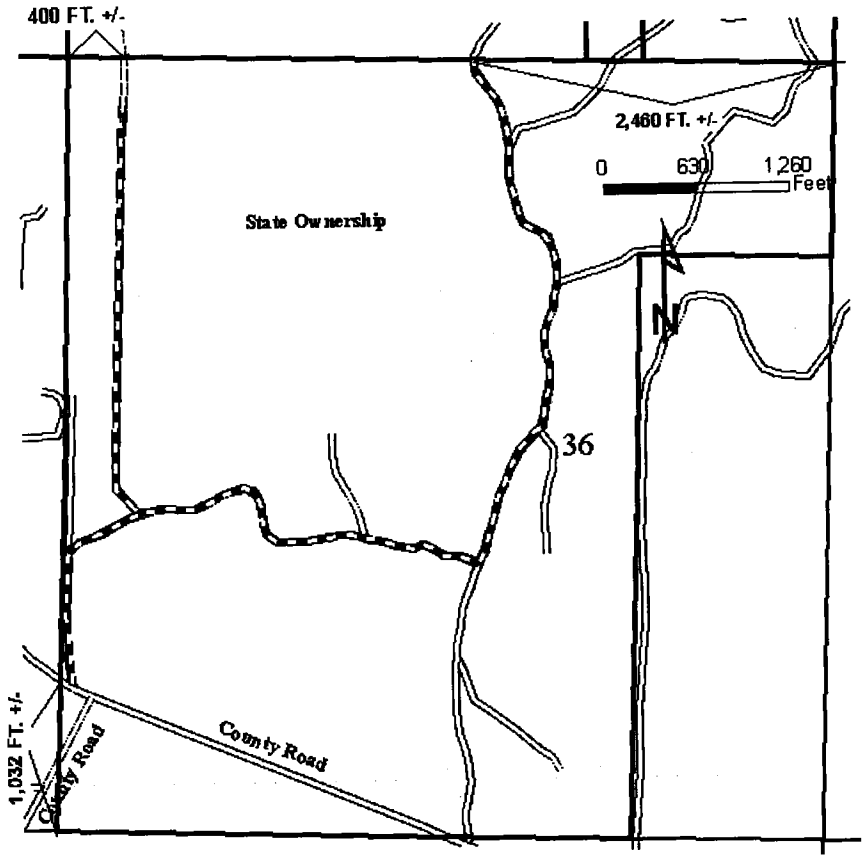
c. Business Auto Policy (BAP) and if necessary, commercial umbrella liability insurance with a limit of not less than $1,000,000 per accident, with such insurance covering liability arising out of "Any Auto". Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later versions of CA 00 01. Grantee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

All Assignees and Permittees shall comply with all State of Washington workers' compensation statutes and regulations. Worker's compensation coverage shall be provided for all employees of assignees and employees of any subcontractors or sub-subcontractors.

Assignees and Permittees shall deliver to Grantee, upon request, a certificate of insurance executed by a duly authorized representative of each insurer showing compliance with the insurance requirements specified above. In the event of cancellation or non-renewal of any coverages, written notice as prescribed in statute (Chapter 48.18 RCW or Chapter 48.15 RCW) will be provided to Grantee.

Successors. The terms of this reservation run with the land and shall bind the successors and assigns of both Grantor and Grantee. Grantee shall be deemed to have accepted the terms of this reservation and be bound by the same by accepting delivery of the deed.<insert easement acknowledgement signature blocks for state and kitsap county>

EXHIBIT B
EASEMENT AREA
DEPARTMENT OF NATURAL RESOURCES
SECTION 36, TOWNSHIP 25 NORTH, RANGE 01 WEST, W.M. IN KITSAP COUNTY, WA
DNR EASEMENT NO. 50-_____



EXISTING STATE EASEMENT RESERVATION ROAD.
ROAD LENGTH = 10,727 FT. +/-, EASEMENT AREA = 14.84 +/- AC.
NEW CONSTRUCTION STATE EASEMENT RESERVATION ROAD
ROAD LENGTH = 365 FT. +/-, EASEMENT AREA = .5 +/- AC.

-WIDTH OF EASEMENTS: 30' EACH SIDE OF CENTERLINE
-STATIONING SHOWN AT SUBDIVISION AND SECTION LINE IS APPROXIMATE
-THE RIGHT-OF-WAY SHOWN IS INTENDED TO BE OVER AND ACROSS ALL PROPERTY AS SHOWN ON THIS MAP.
-LOCATION OF ROADS AND PROPERTY LINES BASED UPON DEPARTMENT OF NATURAL RESOURCES' CURRENT GIS INFORMATION

MAP PREPARED BY:_____ DATE:_____
BRAD PRUITT

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-4
Quitclaim Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

QUITCLAIM DEED
Kitsap County

Grantor: State of Washington, acting by and through the Department of Natural Resources.

Grantee: Kitsap County Parks and Recreation

Abbreviated Legal Desc: (abbreviated legal description)

Tax Parcel #: (#)

THE GRANTOR, STATE OF WASHINGTON, acting by and through the Department of Natural Resources, for and in consideration of the conveyance by Kitsap County Parks and Recreation Department, of real property of equal value as authorized and approved by Resolution No. (#) adopted by the Board of Natural Resources, State of Washington, on (date 2009, hereby conveys and quitclaims to KITSAP COUNTY PARKS AND RECREATION DEPARTMENT, GRANTEE, all interest in the real property situated in Kitsap County, Washington, and described in Exhibit A, attached hereto, which by this reference is made a part hereof, subject to those matters and encumbrances described in the attached Exhibit B Easement Reservation (Easement Reservation), together with all after-acquired title of GRANTOR'S therein.

Grantor hereby reserves for itself, its successors and assigns, all rights and interests in minerals, excluding surface minerals such as rock, sand, and gravel, in perpetuity, as set forth in and

according to the terms and conditions of the Mineral Reservation attached hereto as Exhibit C, over and across those portions of said real property described on the attached Exhibit A.

The lands described in Exhibit A are subject to that certain statutory reserved right as set forth in RCW 79.36.370.

This Deed is executed and delivered pursuant to RCW 79.17.060 at the request of the Commissioner of Public Lands with the approval of the Board of Natural Resources, State of Washington.

WITNESS the Seal of the State of Washington, affixed this _____ day of _____, 20___.

_____
GOVERNOR

ATTEST: _____
SECRETARY OF STATE

Approved as to form this _____ day of _____, 20____.

_____
Assistant Attorney General

State Deed No. (#)
State Record of Deeds, Volume (#), Page (#).
Transaction File No. 86-(#)

Exhibits

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-5
Tenant Estoppel Statements

DATE

Kitsap Rifle and Revolver Club
Attn: Brad Smith, President
4900 Seabeck Hwy NW
Bremerton, WA 98312

Re: Consent to Lease Assignment & Lease Estoppel, DNR Lease No. 60-B068979

Dear Mr. Smith:

You were originally informed of the possibility of a land exchange between the State of Washington Department of Natural Resources (State) and the Kitsap County Parks and Recreation Department in February of 2009 that might involve the property that you currently lease from the State.

While an exchange agreement has not been finalized between the State and Kitsap County Parks and Recreation Department, at this time the State anticipates exchanging the property that you lease that is located in Section 36, Township 25 North, Range 01 West, W.M. in Kitsap County, Washington. This exchange is being referred to as the Newberry Hill Land Exchange 86-081861.

If this exchange should be finalized, the Kitsap County Parks and Recreation Department, would replace the State of Washington, Department of Natural Resources, as the Lessor for the above-mentioned land that you currently lease from the State. The State anticipates presenting the Newberry Hill Land Exchange proposal to the Board of Natural Resources for their consideration and approval at their June 2, 2008 meeting in Olympia, Washington.

Please sign and return this Letter of Consent to Lease Assignment together with the Lease Estoppel in the enclosed self-addressed stamped envelope, no later than April 30, 2009, if you consent to this assignment. A second copy has been enclosed solely for your records.

If you consent to this lease assignment, Kitsap County Parks and Recreation Department requires that you forward a current copy of your insurance certificate showing adequate insurance amounts as required under the terms and conditions of this lease prior to April 30, 2009. Your

insurance agent should be able to assist you with this by providing you with a copy of your insurance certificate. You should forward this insurance certificate to:

> Kitsap County Parks and Recreation Department, c/o Matthew Keough, 614 Division Street, MS-1, Port Orchard, WA 98366

In the event you choose not to sign and return this Letter to Consent to Lease Assignment and Lease Estoppel, then this letter shall serve as notice that the State is proceeding under Lease Clause 4.03 providing you with sixty (60) days' written notice for formal lease cancellation.

It reads as follows:

> *4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.*

If you choose to not consent to the assignment and the State successfully negotiates the exchange of the property, the lease will be cancelled effective. ALLOW 60 DAYS PLUS ALLOWANCE FOR MAILING

If you have any questions about the lease or this exchange, please contact Pat Hennessy at (360) 596-5149 or Brad Pruitt at (360) 584-5037.

Sincerely,

Randy Acker
South Puget Sound Region Manager

Encl: Self-Addressed Stamped Envelope

c: Dave Dennis, Forest Manager
File 60-B068979
Bob Winslow

Lease Assignment

I consent to the above referenced transfer and assignment of the lease to the Kitsap County Parks and Recreation Department.

KITSAP RIFLE AND REVOLVER CLUB

BRAD SMITH, PRESIDENT Date Signed

Lease Estoppel

60-B068979

The undersigned ("Tenant") is the tenant under that certain lease dated as of November 17, 2003, by and between Tenant and State of Washington, Department of Natural Resources, ("Landlord") (as amended and supplemented by the instruments attached below, the "Lease") pursuant to which Tenant has leased certain property located in Kitsap County, Washington as more particularly described therein (the "Property").

The undersigned understands that the Kitsap County Parks and Recreation Department, ("Exchanger") is acquiring the Landlord's interest in the Property and the Lease. Tenant further understands that Exchanger will be relying on the truth and accuracy of the matters described in this certificate in proceedings to complete the exchange. Based on such understandings, Tenant certifies to Exchanger.

A full and complete description of the Lease, including any and all amendments and modifications thereto is attached as Exhibit A and incorporated herein by this reference (the "Lease"). Said documents and instruments constitute the entire agreement between Landlord and Tenant with respect to the Property.

1. The Lease has not been amended, altered, modified or supplemented in any way.

2. The Lease has not been assigned, mortgaged, pledged or otherwise encumbered by Tenant, nor has all or any portion of the Property been sublet. Tenant has no notice of any prior assignment of the Lease or pledge of the Lease or rents as security by Landlord.

3. The Tenant has no option to renew the Lease or otherwise extend the term of the Lease. Tenant has no option or right of first refusal to purchase the Property.

4. The annual rent payable under the terms of the Lease is the same as shown in the Lease, or most recent rent adjustment letter.

5. Tenant has made no security or other deposits or prepaid rent under the Lease, except as follows:

Rent is paid annually and has been paid through February 27, 2010.

Tenant has no claim of offset or defense against either the rent or the Landlord, nor any other claim or counterclaim, including, without limitation, claims to concessions, "free" rent, rebates or abatements in rent, against Landlord except as set forth under the Lease.

6. There exists no improvements or personal property of the tenant on the property other than those listed on Exhibit 10-A to the Lease. Upon termination of the Lease for any reason, including expiration of its term, ownership and disposition of all such improvements or personal property shall be pursuant to the Lease.

7. There exists no defaults on the part of the Landlord under the Lease.

8. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangements under the bankruptcy laws of the United States or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

This certificate may be relied upon by Exchanger and, if the above-referenced acquisition closes, shall be binding upon the undersigned.

KITSAP RIFLE AND REVOLVER CLUB

_____

BRAD SMITH, PRESIDENT Date Signed

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT C
Continuing Forest Obligation

When Recorded Return to:

DNR – South Puget Region
950 Farman Avenue N
Enumclaw, WA 98022
Ph (360) 825-1631
Fx (360) 825-1672

Washington State Department of Natural Resources
Notice of Continuing Forest Land Obligation

Sellers and Buyers of land and perpetual timber rights have certain rights and responsibilities when the land or perpetual timber rights are sold or transferred. Where the land is subject to certain continuing forestland obligations including without limitation reforestation, Road Maintenance and Abandonment Plans and Harvest Strategies along Type 4 Waters in Eastern Washington, **prior to the sale or transfer of the land or perpetual timber rights the law requires that the following occur:** 1) the seller shall notify the buyer of the existence and nature of the obligations and 2) the buyer shall sign a Notice of Continuing Forestland Obligation Form indicating the buyer's knowledge of such obligation. At the time of sale or transfer of the land or perpetual timber rights the seller shall send the signed Form to the Department of Natural Resources (DNR). The Form may be obtained from your DNR region office.

If the seller fails to notify the buyer about the continuing forest land obligation referenced above, the seller shall pay the buyer's costs related to such continuing forest land obligation, (including all legal costs) incurred by the buyer in enforcing the continuing forestland obligation against the seller. Failure by the seller to send the required notice to the DNR at the time of sale shall be prima facie evidence, in an action by the buyer against the seller for costs related to continuing forest land obligation, that the seller did not notify the buyer of the continuing forest land obligation prior to sale. See RCW 76.09.070, RCW 76.09.390 and WAC 222-20-055.

There are also other types of continuing forestland obligations subject to certain requirements, including without limitation Small Forest Landowner Forest Riparian Easements and Landowner Landscape Plans. For more information contact the DNR Region Office.

CONTINUING OBLIGATION/S

Reforestation (RCW 76.09.070)

_____ Obligation exists on the property identified below and relates to the following Forest Practice Application/Notification (FPA/N) Numbers (list all that apply, add attachment if necessary).

_____ No Reforestation obligation exists on the property.

Road Maintenance and Abandonment Plan (WAC 222-24-051)

_____ Obligation exists on property identified below and relates to the following FPA/N numbers and/or Road Maintenance and Abandonment Plan Numbers (list all that apply, add attachment if necessary).

_____ Road Maintenance and Abandonment Plan is required, but not yet filed.

_____ No Road Maintenance and Abandonment Plan obligation exists on the property.

Harvest Strategy along Type 4 Waters in Eastern Washington (WAC 222-30-022 (2)(b))

_____ Obligation exists on the property identified below and relates to the following FPA/N Numbers (list all that apply, add attachment if necessary).

_____ No Harvest Strategy obligation exists on the property.

PROPERTY IDENTIFICATION

Land/Rights Sold/Transferred (circle one): *Land and Timber* *Land* *Perpetual Timber Rights*

Date that the Land/Rights was/were Sold/Transferred (month/day/year): _____

County/ies: _____

DNR Region/s: _____

Legal Description of the Lands/Rights being Sold/Transferred (include county parcel number/s, add attachment if necessary): _____

_____

_____

_____

SELLER:		**BUYER:**	
Signature:	_____	Signature:	_____
Date:	_____	Date:	_____
Print name:	_____	Print name:	_____
Title:	_____	Title:	_____
Address:	_____	Address:	_____
Phone:	_____	Phone:	_____

NOTE TO SELLER:
At the time of sale or transfer of the property or the perpetual timber rights:
The seller is responsible for delivering (by certified mail or in person) the SIGNED ORIGINAL to the DNR Region Office in which the property is located. However, if you choose to also have this form recorded by the county, the original is delivered to the county and a copy delivered (by certified mail or in person) to the DNR Region Office.

_____

FOR DEPARTMENTAL USE ONLY

Notice of Continuing Forestland Obligation #: _____ Date Received: _____

Region: _____ **Received by:** _____

FORM DNR QQ-42 (July 18, 2002)

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
EXHIBIT D
DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

Record at the request of:
Kitsap County
Facilities, Parks and Recreation
614 Division Street, MS 1
Port Orchard, WA 98366

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 1 of 4

EXCISE TAX EXEMPT MAR 30 2007

Section 1 TS 24N Range 1W
GOV 8 see additional page
assessors property tax parcel
012401-2-033-1005
see attached pg. 4

DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

The Grantor, **Kitsap County** for and in consideration of monies coming in whole or in part from the Washington Wildlife and Recreation Program of the State of Washington Interagency Committee for Outdoor Recreation and in fulfillment of terms of the Project Agreement identified below, conveys and grants to the **State of Washington (Grantee)** individually and as the representative of all the people of the State, the right to use the real property described below forever for conservation purposes.

Those purposes are described in the Project Agreement entered into between the Grantor and the State of Washington through the Interagency Committee for Outdoor Recreation entitled, Central Kitsap Greenway (Port Blakely Tree Farm), Project Number 04-1457A. The application and supporting materials are on file with the Grantor and the State in connection with the Project Agreement.

The Grantor will not make or permit to be made any use of the real property described in this deed, or any part of it, which is inconsistent with the right to use for conservation purposes herein granted unless the State, through the Interagency Committee for Outdoor Recreation or its successors, consents to the inconsistent use,which consent shall be granted only upon conditions which will ensure that other conservation land of at least equal fair market value at the time of change of use and of as nearly as feasible equivalent qualities, characteristics and location for conservation purposes for which state assistance was originally granted will be substituted in the manner provided in RCW 79A.25.100 for marine recreation land, whether or not the real property covered by this deed is marine recreation land. RCW 79A.25.100 reads as follows:

"Marine recreation land with respect to which money has been expended under RCW 43.99.080 (recodified as RCW 79A.25.080) shall not, without the approval of the committee, be converted to uses other than those for which such expenditure was originally approved. The committee shall only approve any such conversion upon conditions which will assure the substitution of other marine recreation land of at least equal fair market value at the time of conversion and of as nearly as feasible equivalent usefulness and location."

The real property covered by this deed is described as follows:

CENTRAL KITSAP GREENWAY (PORT BLAKELY TREE FARM):
PARCEL A: The West Half of the Northwest Quarter; the Southwest Quarter; all in Section 1, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;

Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL B: That portion of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M., in Kitsap County; Washington, described as follows:

Beginning at the Northeast corner of Government Lot 8 (being also the East Quarter corner of said Section);
Thence South along the East line of said Section a distance of 400 feet;
Thence West to the East line of the existing 60-foot wide county road commonly known as Northwest Wildcat Lake Road;
Thence Northerly along the East line of said road to the North line of Government Lot 8;
Thence East along said line to the point of beginning.

Also, the South Half of the Southeast Quarter of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M.;
Except that portion thereof lying within the boundaries of any existing county road.

PARCEL C:. The Northeast Quarter of the Northeast Quarter of Section 11, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL D: The Northwest Quarter of the Northwest Quarter of Section 12, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except any portion thereof lying within the boundaries of any existing county road.

This deed shall in no way modify or extinguish the functions of the Grantor under the Project Agreement, including the Grantor's functions to operate and maintain the land as set out in the Project Agreement.

Dated this 26th day of March, 2007

By: [signature]

Title: Chair of Board of Commissioners

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00 Page: 2 of 4
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor

ATTEST:

STATE OF WASHINGTON

COUNTY OF KITSAP)

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 3 of 4

THIS IS TO CERTIFY that on this 26th day of March 2007, before me the undersigned Notary Public in and for the 'State of Washington, duly commissioned and sworn, personally appeared

Chris Endresen to me. This individual is known to be the Chairman Board of Co. Commissioners of the Board of County Commissioners that executed the foregoing deed and acknowledged to me that they signed and sealed the same as the free and voluntary act and deed of said _____ and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said _____ WITNESS my hand and official seal the day and year in this certificate first above written.

Becky A. Froelich Becky A. Froelich
Notary Public in and for the State of Washington, residing in Kitsap County. My commission expires 10/7/2010.

L/C 6110

KITSAP TRACT #1:

012401-2-033-1005	012401-2-034-1004	012401-2-035-1003	012401-2-036-1002
012401-3-001-1001	012401-3-002-1000	012401-3-003-1009	012401-3-004-1008
012401-3-005-1007	012401-3-006-1006	012401-3-007-1005	012401-3-008-1004
022401-4-025-1000	112401-1-016-1006	112401-1-017-1005	112401-1-018-1004
112401-1-019-1003	112401-3-027-1009	112401-3-028-1008	112401-4-001-1007
112401-4-002-1006	112401-4-003-1005	112401-4-004-1004	112401-4-005-1003
112401-4-006-1002	112401-4-007-1001	112401-4-008-1000	112401-3-029-1007
112401-3-030-1004	122401-2-007-1004	122401-2-008-1003	022401-4-002-1007

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FIRST AMERICAN TITLE INS DEED 426.00 Kitsap Co, WA

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM Page: 4 of 4
Karen Flynn, Kitsap Co Auditor

Don Burger

From: Kevin M. Howell [KMHowell@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 4:07 PM
To: Russell D. Hauge
Subject: Fwd: Gun Club Appraisal = ZERO VALUE
Attachments: 9111-Kitsap Gun Club.pdf

>>> Matt Keough 5/5/2009 3:25 PM >>>

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "Steve Shapiro" <sshapiro@realestatesolve.com> 5/5/2009 3:10 PM >>>

Stephen Shapiro, MAI

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RE•SOLVE

GIBBONS & RIELY PLLC
Real Estate Appraisal, Counseling & Mediation
261 Madison Avenue South, Suite 102
Bainbridge, Washington 98110-2579
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TeleFax: 206-842-5082

Stephen Shapiro, MAI
Direct Dial 206 855-1090
Email: sshapiro@realestatesolve.com

May 5, 2009

Chip Faver, Director
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

RE: Kitsap County Rifle and Revolver Club Portion of Tax Parcel # 362501-2-001-1001

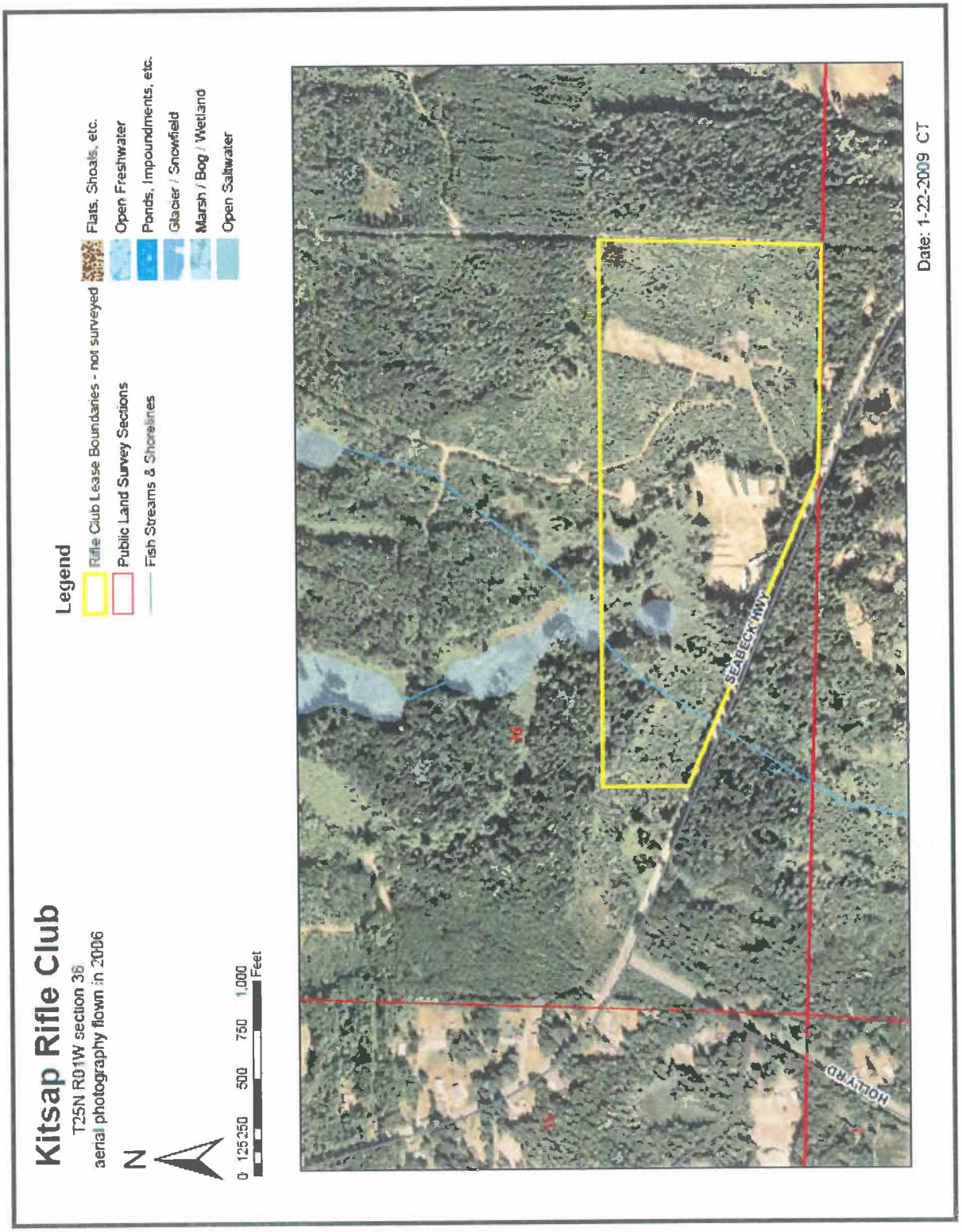
Dear Mr. Faver:

At your request, I have prepared this valuation/counseling letter with regard to the above referenced property. This letter meets the standards of a *restricted* appraisal report. The document recognizes your familiarity with the subject property and issue at hand, and thus is intended only for your use, or those you deem sufficiently knowledgeable to fully understand the contents of this evaluation. As directed, I have estimated the fee simple interest in the subject recognizing the restricted conditions of use described in the specialized appraisal instructions discussed in this report. This appraisal will be used by you for purposes of potential disposition of the property.

Identity/Location of Property

The subject is comprised of land and improvements operating as the Kitsap Rifle and Revolver Club. This includes 8 acres containing roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used to provide buffer and safety zones for lessee's shooting range. The following legal description of the subject was provided by the client. The area is depicted on the photograph on the following page.

> *Part of the Southwest quarter of the Southeast quarter and part of the Southeast quarter of the Southwest quarter of Section 36, Township 25 North, Range 1 West, W.M., lying northerly of the North lines of an easement for right of way for road granted to Kitsap County on December 7, 1929, under Application No. 1320, said road being as shown on the regulation plat thereof on file in the office of the Commissioner of Public lands at Olympia, Washington, the above described lands having an area of 72.41 acres, more or less.*



KITSAP RIFLE GUN CLUB

Purpose of Valuation and Counseling Letter

The Washington State Department of Natural Resources presently owns approximately 522 acres that includes the subject area, which is leased to the Kitsap Rifle and Revolver Club. The Kitsap County Department of Parks and Recreation has an interest in acquiring the DNR property and disposing of the 72.41 acres encompassed by the gun club. The purpose of this counseling letter is to provide a market based valuation analysis of the subject gun club area in its "as is" condition and recognizing the stipulated Specialized Appraisal Instructions discussed below.

The term "market value" is defined as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:*
>
> *a. the buyer and seller are typically motivated;*
>
> *b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
>
> *c. a reasonable time is allowed for exposure in the open market;*
>
> *d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
>
> *e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

Specialized Appraisal Instructions

The client has provided specific instructions to provide a fee simple market value for the subject recognizing any existing reservations as well as the following instructions. These instructions constitute limiting conditions that have a direct impact upon the value conclusions derived.

1. Appraise the property in an "As Is" condition.

2. Assess and state environmental liabilities associated with this land, and its historic use as a shooting range, without any indemnification provided by the seller.

3. The subject property will continue to be utilized exclusively as a short arm shooting range consistent with its historic use. Enlargement, material improvement of the activities will require land use compliance and permitting through Kitsap County Department of Community Development.

4. Require purchaser to be a non-profit organization, enabled to: maintain existing public (state) funds and (2) apply for public funds to support the historic use of the property for outdoor recreation.

5. Require purchaser and future owners to provide public access to the property for recreational use on a non-profit basis.

6. Assume liability associated with operating existing recreation facilities, specifically a shooting range.

7. The subject property is associated with an adjacent, listed Superfund site with the EPA. The Washington State Department of Ecology ranks the adjacent property a "2" on its scale of hazardous materials contamination. Site clean up work was performed in the late 1970's but more recent analysis indicates that further hazardous clean up work is needed to address lead, chromium and other contamination.

Intended Use/User

This report will be used as an aid in the potential disposition of the subject property after it is acquired by Kitsap County. The client is Chip Faver, director of the Kitsap County Department of Parks and Recreation, as well as his authorized agents, associates and employees.

Scope of Assignment

The scope of work of this assignment is to provide consultation pertaining to the potential disposition of the subject. The Uniform Standards of Professional Appraisal Practice defines "Appraisal Consulting" as follows:

> *The act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.*
>
> *An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.*

The scope of work in this assignment is associated with consultation rather than an appraisal owing to the unusual circumstance of the subject being a special use property that is heavily contamination, which does not readily lend itself to the typical valuation methodologies. This issue is discussed in greater depth in the highest and best use section of this report.

This analysis is presented in a reporting format that meets the requirements for a restricted report under USPAP guidelines. Discussions and analysis are abbreviated in this document, with supporting data retained in my files for reference.

Subject Sales History

The subject property has been under the ownership of the Washington State Department of Natural Resources for many years and there is a lease over the entire property between the State of Washington as lessor and the Kitsap Rifle and Revolver Club as lessee. This includes 8 acres containing the lessee's improvements, roads, parking areas, open shooting range, targets and associated infrastructure. An additional 64.41 acres of timberlands, wetlands and resource lands are passively used by the lessee to provide buffer and safety zones for lessee's shooting range.

The lease commenced in March of 2003 and has a termination date of February 27, 2018. This is a net lease with a current rate of $7,200 per year, although there is a scheduled increase that has not been applied. It should be noted that section 4.03 of the lease stipulates the following caveat:

> *State reserves the right to terminate this agreement upon sixty (60) days written notice in the event the State includes the premises in a plan for higher and better use, land exchange or sale.*

This clause would allow Kitsap County to acquire the subject from Washington State unencumbered by the lease. Additionally, section 8.02(a) of the lease requires the lessee to remove all "deleterious material" at the termination of the lease or the State will do so at the lessee's expense. This effectively requires the lessee to clean the site of any material impacts that would undermine the highest and best use of the property resulting from its use as a firing range. However, it is the mutual intention of DNR and Kitsap County to transfer ownership of the subject to the latter party with the existing gun club use intact. Further, there is no requirement to clean the site of hazardous materials upon a change in ownership.

Title Report/Easements/Conditions/Restrictions

Although I have not been provided a title report for the specific subject I have been given a title report for the larger area of which the subject is a part. I am not aware of any easements, conditions, covenants or restrictions that would constrain the highest and best use of the subject, and this is an underlying assumption of this report.

Date of Appraisal

The date of this appraisal is March 19th, 2009, the most date of the subject property inspection. This report was prepared in April and May of 2009.

Property Characteristics

Location and Access

The subject property is located in central Kitsap County on the Seabeck Highway near its intersection with Holly Road. While the area immediately surrounding the subject is rural, the property is located only about 10 miles west of Bremerton, the most populous city in Kitsap County and about a dozen miles

from Port Orchard, which is the county seat. About seven miles to the northeast is Silverdale, which has the greatest concentration of retail shops and malls in the county.

Zoning

The subject's 522 acres are comprised of 2 parcels plus a portion of a third parcel adjoining to the north. These are all designated Rural Wooded (RW) in the Kitsap County zoning code. General specifications associated with this zone are as follows:

Rural Wooded Zone (RW)

Minimum Lot Size	20 Acres
Setbacks	50' Front, 20' Side/Rear
Building Height	35'
Primary Permitted Uses	Preservation of forest use while allowing for some rural residential use

The Kitsap County Zoning Ordinance describes the purpose of this zone as follows:

> *This zone is intended encourage the preservation of forest uses, retain an area's rural character and conserve the natural resources while providing for some rural residential use. This zone is further intended to discourage activities and facilities that can be considered detrimental to the maintenance of timber production.*

The primary permitted uses in the RW zone include forestland management, agriculture, parks and open space, wholesale nurseries, kennels, and residential use at a very low density. Conditional uses are limited but do include certain recreational uses. While a shooting range is not explicitly noted as an allowable use, it is assumed that the current use of the subject is a permitted conditional legal use of the property.

Land Description

The subject is an irregularly shaped 72.41 acre land area that is a portion of Kitsap County tax parcel number 362501-2-001-1001. The property has generally rolling topography with no steep areas. The property is cleared in the 8 acre shooting range area and has timber cover in the 72 acre buffer area. I am unaware of any critical areas on the subject. I have been provided a timber valuation of the entire DNR property by the firm of S. A. Newman , Forest Engineers, indicating that are is $1,258,00 of merchantable timber value over the entire 522 acre tax parcel. This amounts to about $2,410/acre. I have not been provided any timber valuation for the subject portion of the total property. However, applying the average timber value per acre suggests there is approximately $175,000 of merchantable timber value on the subject.

Utilities

All utilities are presently available to the subject including electricity and phone. Water is provided by an on-site well and waste is handled by a septic system.

Subject Improvements

The subject is improved as a shooting range that has been operated as the Kitsap Rifle and Revolver Club since 1926. It is minimally improved with infrastructure associated with the shooting range. This includes several portable buildings and covered shooting platforms.

Hazardous Materials

It is well known that the approximately 8 acres of the subject that has been used as a shooting range for the past 83 years is contaminated with lead from spent ammunition lodged in the soil. To my knowledge there has never been any hazardous conditions assessment of the subject property or any estimate of the cost to clean it up. Clearly, the potential cost and risk of liability associated with the cleanup of the subject would be a significant value consideration in the mind of any prospective buyer of the property. In support of this I have provided the following documentation pertaining to evidence of hazardous material associated with shooting ranges as well as clean up costs.

Metallic lead shot is the most common ammunition used in shooting ranges owing to its low cost, ease of reloading and good firing characteristics. Lead is a known pollutant that has been closely monitored by the Environmental Protection Agency for many years as a hazardous trace material in paint, gasoline, plumbing pipes and other consumer products including food. In its solid form as lead shot at a firing range it can enter the environment as dust particles and dissolved in ground water. Thus, it is associated with grasses and plants ingested by animals as well as surface drinking water used by animals and groundwater that may be used by people. In its dissolved state lead pollution can infiltrate areas well outside the local firing range through surface run off and ground water percolation.

Research indicates that lead is the most prevalent contaminant found at federal Superfund sites across the country. Recognition of its significant environmental and health threats have resulted in enacting federal and state laws requiring clean up under most circumstances. Interestingly, private firing ranges remain exempt from federal law owing to owing to an interpretation by the EPA that the act of firing bullets does not qualify as "discarding" them. However, state law pertaining to the clean of lead material from firing ranges may apply.

According to Donna Musa of the Washington State Department of Ecology Toxic Cleanup Program, suspected contamination on a particular site does not constitute a requirement to investigate hazardous conditions or clean up any such materials. Typically, investigation into hazardous conditions is triggered by someone concerned about being subjected to such contamination or when contamination has been found to migrate from its source to neighboring property. In these instances Washington State requires an assessment to rank a potentially hazardous site, but only requires clean up of those designated as falling in the top tier of potential environmental threats.

Since firing ranges tend to be in relatively remote areas and are often frequented by local inhabitants, they are not usually the subject of such complaints. Ms. Musa noted that a change of ownership would not trigger a clean up requirement. Further, Washington State law does not stipulate that a change of use would necessarily trigger a clean up requirement. However, if the use of a property was changed in such a manner that the hazardous material posed an obvious threat under, it almost certainly would require consideration of cleanup. This would likely pertain to most, if not all, alternate uses of the subject firing range allowable under the existing zone such as residential, agricultural, plant nursery and kennels.

The fact that the subject is not presently a candidate for an assessment of toxic materials does not mean that this may not occur some time in the future. Although I am not a legal expert and cannot opine as to who might bear responsibility for clean up of the subject, I have been provided a specific instruction by the client that no indemnification of such responsibility would be provided by the seller to any potential buyer. Thus, there is clearly some element of risk associated with acquisition of this contaminated site.

The cost of cleanup for shooting ranges can be significant. A local example is Camp Wesley Harris, which lies adjacent to the subject's eastern boundary. This 387 acre Naval shooting range has operated rifle and hand gun ranges since around 1930. Around 1980 the U.S. Navy initiated an assessment of the toxic materials and the Washington State Department of Ecology performed a hazardous waste examination of this site that resulted in approximately $3 million of clean up during 1987 and 1988. The primary contaminants were lead and chromium lodged in the soils and diluted in shallow groundwater. According to John Kiess with the Kitsap County Health District, who participated in this assessment, the cleanup area on Camp Wesley Harris was fairly similar in size and use as the Kitsap Rifle and Revolver Club.

Two other examples of the cost to clean up shooting ranges pertain to the Sharp Park Rifle Range that was owned and operated by the City of San Francisco and the gun range at Huntington Central Park in Huntington Beach, CA. The former was a 6 acre site that operated as a firing range from 1952-1988. In 2007 the City of San Francisco commissioned a study to determine clean up costs. The report determined that it would cost between $2.5-$4.5 million to excavate and remove all toxic materials. The Huntington Beach site covered about 5 acres and the estimated cost of cleanup is currently $1.5-$3 million according to city officials.

With respect valuation of the Kitsap Rifle and Revolver Club I have not been provided any cost estimate regarding the potential cleanup of the property. However, given the likely extent of contamination and the need for an "as is, where is" appraisal, it is necessary to estimate the potential liability that would result from a clean up requirement. Based upon the information discussed above, I have concluded that cleanup of the subject site would very likely have a present day cost of at least $2 million and a high probability that the cost would be on the order of $3 million.

Highest and Best Use

"Highest & Best Use" is defined by The Appraisal Institute as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest*

value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility and maximum profitability."

Source: The Dictionary of Real Estate Appraisal, Third Edition, Copyright 1993, published by the Appraisal Institute.

The highest and best use analysis provides the foundation for a value conclusion by identifying the specific market position of a subject and thereby specifying appropriate market comparisons for it, as well as the relevant approaches to value. It is governed by consideration of the property's legal, physical and economic potential. If the property is improved, the process requires separate analysis of the land as though vacant and the land as improved. This provides the basis for a conclusion as to whether the improvements adequately contribute to overall value as to continue to be the preferred use, or whether an alternate use would better support the land value. In this instance, the subject property is improved as a small arms firing range and the instructions to the appraiser specify that it is to be valued in it's "as is" condition. Thus, a highest and best use analysis of the subject as if vacant is not appropriate and has not been provided.

Highest & Best Use "As Is"

The highest and best use of the subject is governed first by what is legally feasible. As previously discussed the subject's RW zone would allow for single family residential development at a density of one dwelling unit per 20 acres. This would nominally allow for three development rights. However, the Specialized Appraisal Instructions provided by the client effectively limit the use of the property to a short arms shooting range that must be open to the public and operated on a non-profit basis by an owner who is qualified to accept public funds.

With respect to physical possibility the subject has historically been used as a firing range for more than 80 years. It has ample room to support a firing range with a large buffer safety area from surrounding uses. The property is located in a rural area of Kitsap County with very low residential development potential but is also situated on a paved highway within a short distance of Bremerton, Port Orchard and Silverdale. These factors suggest that the property would provide good access to a large number of people in its current use while at the same time creating a relatively small noise nuisance impact.

Based upon the foregoing factors the highest and best use of the subject is concluded to be continued operation of the property as improved for use as a firing range that is open to the public and operated on a non-profit basis.

Meanwhile, circumstances resulting from the presence of hazardous waste and the special instruction stipulating that a buyer of the property would not be indemnified from any responsibility of cleaning up toxic contamination make it necessary to look beyond the presumed highest and best use as if in a benign condition to an examination in its "as is" condition. Such consideration specifically revolves around the possibility that at some future time it would be necessary to pay for clean up of toxic material on the property.

In light of the discussion above, it appears that the salient question regarding highest and best use is whether a gun club operating on a non-profit basis would contribute sufficient economic value to supersede the risk associated with the possible cost to cure the contamination at some time in the future? Obviously, the meaning of "risk" assumes that there is no conclusive answer. However, there are some indications in this regard that are pertinent to a valuation based on risk assessment. These include a probable current cost to cure the subject's contamination from $2- $3 million. While it is not possible to predict the exact duration required for cleanup, given that the nature of the contamination pervades into the soil and aquifer it may take years to remediate and it is possible that the costs may escalate beyond present day projections. Finally, there is no certainty that any previous owners of the property would share responsibility for cleanup.

Assessing the impact of contamination on the site is obviously complicated by the fact that it is unknown when and if such cleanup will be required. Further, the cost of hazardous waste cleanup as well as the extent of liability among parties who may have held title to the property at one time or another is notorious for its lack of predictability. For that reason, projecting how these may impact the subject's ultimate value becomes a matter of risk analysis. Where good sales comparison data exists, the appraiser can make direct market comparisons to derive the value of a given property in its existing condition. Not surprisingly, however, I did not find sales of contaminated firing ranges in the subject's market area. The difficulty of finding suitable sales comparisons has resulted in reliance upon the income capitalization approach as the primary means to valuation in this instance. This approach implicitly recognizes the risk associated with achieving a market return on investment in a given property through application of an appropriate capitalization rate. In this instance the rate of return should reflect the following issues:

- The possibility that the ultimate cost of cleanup may be higher than the present day estimate.
- The difficulty in placing a specific time period upon remediation of contamination.
- The level of confidence that cleanup technology and procedures exist that can result in a complete cleanup that will require no further action.
- The possibility that market stigma will be attached to the property even if cleanup does not impair present day operations and liability does not extend beyond the present owner.

The analysis that follows first considers the value of the subject through the income capitalization approach under use as a non-profit firing range that utilizes state funding. The second step in the analysis considers an appropriate discount to that value based upon the risk that a prospective buyer would be required to clean up the contamination on the property at some time in the future.

Land Valuation Analysis

Land valuation analyses are typically based upon the precepts of "market value" as this implicitly considers what the most likely potential buyer of a property would pay in order to generate the highest economic return. However, in this instance the Specialized Appraisal Instructions limit the use of the property to a firing range, and even that utilization of the property is further constrained by requirements that it be operated on a non-profit basis by a party accepting state funds. *The Appraisal of Real Estate*

(12th Edition), which is a comprehensive text published by the Appraisal Institute, provides the following guidance pertaining to valuing such properties:

> *When appraising a type of property that is not commonly exchanged or rent, it may be difficult to determine whether an opinion of market value can be reasonably supported. Such limited-market properties can cause special problems for appraisers. A limited-market property is a property that has relatively few potential buyers at a particular time. Many limited-market properties include structures with unique designs, special construction material, or layouts that restrict their utility to the use for which they were originally built. These properties have limited conversion potential and, consequently, are often called special-purpose or special-design properties. Examples of such properties include houses of worship, museums, schools, public buildings and clubhouses.*
>
> *Limited-market properties may be appraised based on their current use or the mostly likely alternative use. Due to the relatively small markets and lengthy market exposure needed to sell such properties, there may be little evidence to support an opinion of market value based on their current use. The distinction between market properties and limited-market properties is subject to the availability of relevant market data. If a market exists for a limited-market property, the appraiser must search diligently for whatever evidence of market value is available.*
>
> *If a property's current use is so specialized that there is no demonstrable market for it but the use is viable and likely to continue, the appraiser may render an opinion of use value if the assignment reasonably permits a type of value other than market value. If no market can be demonstrated of if the data is not available, the appraiser cannot develop an opinion of market value and should state so in the appraisal report. It is sometimes necessary to render an opinion of market value in these situations for legal purposes, however. In these cases, the appraiser must comply with the legal requirement, relying on personal judgment and whatever direct market evidence is available. Note that the type of value developed is not dictated by the property type, the size or viability of the market, or the ease with which that value can be developed; rather, the intended use of the appraisal determines the type of value to be developed. If the client needs a market value opinion, the appraiser must develop an opinion of market value, not use value.*

In this instance the client has provided very specific instructions limiting the use to a single application but has also directed the appraiser to provide an opinion of market value. Thus, in keeping with the direction provided above, I had relied upon personal judgment as well as whatever market evidence is available in deriving a value conclusion for the subject.

The direct income capitalization methodology is an approach that equates the net operating income of a property over one year of operation to total property value through the application of a market based capitalization rate that implicitly accounts for the risk associated with continuing to generate stabilized income over the life of the investment. In this instance, the subject is appraised as a non-profit operation. Discussion with Kevin Howell of the Kitsap County Prosecutor's Office and Matthew Keough of the

Kitsap County Department of Parks and Recreation suggest that the non-profit status eliminates the ability to generate any net operating income because fees can only be charged that are commensurate with the costs of maintenance and operation. This would effectively reduce the net operating income to zero for a passive investor in the property who does not intend to have a management role.

However, a non-profit organization can pay salaries to its employees. Thus, if the property was purchased by a prospective owner who intended to operate the firing range himself, the salary generated could be construed as income. This latter scenario suggests that even given the strict limitations on the use of the property, there may be prospective buyers willing to pay a lump sum purchase price for the opportunity to generate a salary over their term of ownership.

The amount that such a prospective buyer might pay is a function of the risk associated with the security of the income stream. For purposes of this analysis I have relied upon personal conjecture as well as market evidence to first derive an estimate of the subject's market value *without any consideration of contamination impact*. The impact of toxic waste upon value is then considered in a separate step of the analysis.

The analysis begins with an assumption of a reasonable salary that a potential buyer of the subject could anticipate generating through operation of a firing range. I have put this at $100,000 annually. Since all other funds generating would necessarily go to the operation and maintenance of the firing range (including any other salaries that might be paid) the owner's salary effectively represents the annual net operating income. According to the Korpacz Real Estate Investor Survey (a division of Price Waterhouse Coopers), capitalization rates for investment grade real estate in the Pacific Northwest ranged from 6.5%-11% in the first quarter of 2009. Assuming that the security of this investment entails more or less average risk I have applied a 9% rate of return to the income noted above which results in a total value indication for the subject of around $1,100,000.

While a prospective buyer of the subject might be willing to pay on the order of $1,100,000 to generate an annual income stream of $100,000 assuming typical market risk, consideration of the subject's contamination adds significant uncertainty to the security of that income stream. As discussed above, the current cost to cure all of the contamination on the subject is expected to be around $2-$3 million. Since it is a specific instruction of this appraisal that no indemnity would be granted to a buyer of the property, that person would be expected to absorb most, if not all, of the remediation costs. The next questions are if and when such a liability would be exacted.

As previously discussed the subject is not presently on the Washington State Department of Ecology's list of contaminated sites slated for cleanup, and to my knowledge there has never been any assessment of toxic materials on the subject. However, given its use as a firing range for nearly a century it is common knowledge that the site is heavily contaminated. Further, the adjoining Camp Wesley Harris site, which has a very similar history of use as the subject, has been placed upon the State's list of toxic sites and has already undergone some cleanup at considerable expense. It would be very logical to conclude that at some point the subject would also become a viable candidate for cleanup, and thus it would seem that the issue is much more a matter of "when" than "if."

With regard to the timing impact of any potential requirement to clean up the subject the following analysis is germane. At a price of $1,100,000 and an annual income of $100,000 it would nominally require 11 years to recoup the capital investment. However, adding the cost of cleanup at $2 million (which is the low end of the estimate) would add additional 20 years. Obviously, this is a highly simplistic analysis that ignores additional inputs such as inflation, a potential increase in annual income and a potential increase in the cost of cleanup over time. However, it very clearly illustrates that the looming liability of curing the subject's contamination would undermine much, if not all, of the economic benefit to be derived from the subject. While it is difficult to project when the DOE might require cleanup of the subject, it is not unreasonable to presume that changes in land use in this area over the next 20 years will very likely include increased residential development density with a reliance upon ground sources of drinking water that would promulgate such action. Ultimately, this raises a very strong question as to why a prospective buyer would pay $1,000,000 to secure such a risky income stream when that money could be put to other far less risky income producing real estate ventures.

Based upon the foregoing analysis it is my conclusion that the market value of the subject is effectively zero. This does not necessarily suggest that there is not a prospective buyer willing to pay some amount of cash for the subject. However, that buyer would not be acting to obtain the maximal return on investment that is essential to the concept of market value. Rather, such a purchase would be predicated upon "use value" that considers the value of a particular property in a particular use irrespective of any value that might be derived from alternate uses of that property or an investment in another property that would reap a positive economic return.

Subject Market Value As Is & Recognizing Specialized Appraisal Instructions **$0**

Effective Date of Value

March 19, 2009.

Closing

If you have any further questions or concerns, please do not hesitate to call.

Sincerely,

Stephen Shapiro, MAI

Ref: 9111

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this appraisal are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conclusions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the obtainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Cope of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property.
- This appraisal has been made in conformity with the appropriate State and Federal laws and requirements, and complies with the contract between the agency and the appraiser;
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by authorized representatives.
- As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute.
Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

The property has been appraised for its fair market value as though owned in fee simple and encumbered by the Specialized Appraisal Instructions described in this report. The opinion of value expressed in this report is the result of, and is subject to the data and conditions described in this report.

I made a personal inspection of the property that is the subject of this report on March 19, 2009.

Name: **Stephen Shapiro, MAI**
WS Cert # 1101561

Signature: _____

Date Signed: May 5, 2009

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation

STEPHEN L. SHAPIRO, MAI

Stephen Shapiro graduated in June 1986 from the University of Washington in Seattle, Washington. He was awarded an Honors Degree as Bachelor of the Arts in Communications with a major in Journalism and a minor in Economics. Since that time he has worked as a writer, editor and research consultant specializing in land and marine resource issues. Mr. Shapiro was asked to join the firm of **Wronsky, Gibbons & Riely** in March of 1999 by Anthony Gibbons. In July of 1999 Mr. Gibbons formed Anthony Philip Gibbons PLLC, doing business under the new company name of **RE•SOLVE** – a company providing Real Estate Appraisal, Counseling and Mediation services. Mr. Shapiro joined Mr. Gibbons in his company at that time.

In his capacity as an appraiser for **Wronsky, Gibbons & Riely** and **RE•SOLVE**, Mr. Shapiro has developed a broad range of experience over a wide variety of property types. Appraisals have been performed on office and industrial buildings; commercial and industrial land; residential subdivision property; natural resource and habitat land, including timberland and wetland property; and high-end estate homes. In addition, he has provided mediation and expert witness services for legal purposes.

Mr. Shapiro is licensed as a certified general real estate appraiser by the State of Washington (license no. 1101561) and is listed on the Washington State Department of Transportation's Approved List of Appraisers and Reviewers. He was awarded the highly regarded MAI designation of the Appraisal Institute in June 2006 (member no. 12394). He has successfully completed the following Appraisal Institute courses, as well as numerous additional professional seminars:

- Appraisal Principles
- Appraisal Procedures
- Standards of Professional Appraisal Practice, Parts A and B
- Highest and Best Use and Market Analysis
- Basic Income Capitalization
- General Applications
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Advanced Income Capitalization
- Uniform Appraisal Standards for Federal Land Acquisitions
- Condemnation Appraising: Advanced Topics and Applications

Mr. Shapiro has performed appraisal services for a wide variety of clients, and a brief client list follows.

- City of Bainbridge Island
- WA State Dept. of Natural Resources
- Bainbridge Island Parks and Recreation
- Group Health Cooperative of Puget Sound
- Port of Seattle
- Cascade Land Conservancy
- U.S. Forest Service
- NC Power Systems Co.
- City University
- Trust For Public Land
- Bainbridge Island Land Trust
- The Mark A. Robinson Trusts
- Commerce Bank
- First American Title Insurance Co.
- Tulalip Tribes
- Tousley Brain Stephens PLLC
- Ryan, Swanson and Cleveland, PLLC
- Pope Resources, Inc.
- Hockett & Olsen Brothers, Inc.
- Great Peninsula Conservancy
- Central Kitsap School District
- Riddell Williams P.S.
- Whidbey Camano Land Trust
- Michael A. Goldfarb Law Office
- Lawler Burroughs & Baker, P.C.
- Harnish Group, Inc
- Development Services of America
- Preston Gates & Ellis LLP
- Pacific Investment Co.
- Column Financial
- GVA Kidder Mathews
- American Marine Bank
- Batavia Holdings LLC
- Kinzer Real Estate Services
- Knowles/Turner Real Estate Group
- Warren G. Harding Temple Board Assoc.
- GEM1 LLC
- Kitsap County Dept. of Public Works
- Washington State Parks Commission
- Livengood, Fitzgerald & Alskog PLLC
- American Eagle Communities
- McGavick Graves Attorneys at Law
- Wal-Mart
- Black Equities Group LTD
- Transnation Title Insurance Co.
- The Ketcham Family
- City of Burien
- Open Space Resources
- Kitsap Conservation District
- Lawyers Title Insurance Corp.
- Kitsap County Dept. Parks and Recreation
- McCormick Land Company
- Trammell Crow Co.
- Pike Place Market PDA
- City of Edmonds Parks and Recreation
- WA State Department of Transportation
- MacMillan-Piper, Inc.
- Port of Allyn
- Pacific Medical Center and Clinics
- Commonwealth Land Title Insurance
- Port Gamble S'Kllallam Tribe
- Madison Ave Real Estate, LLC
- Kitsap County Dept. of Admin. Services
- Olympic Property Group
- Prosperity Treatment Center
- Old Republic Title Co.
- Cullen Law Office LLP
- Port of Olympia
- Washington First International Bank
- Rogers Deutsch & Turner
- Frontier Bank
- Credit Suisse First Boston
- The Mountaineers
- Bainbridge Public Library
- GMAC Commercial Mortgage
- Farm Bureau Life Insurance Co.
- Starbucks
- Seattle Automotive Dist., Inc.
- Pacific Northwest Title Insurance Co.
- WA State Office of the Attorney General
- Aoki Sakamoto and Grant LLP
- AnMarCo
- King Count Dept. Natural Resources & Parks
- Montgomery Purdue Blankinship & Austin PLLC
- Ogden Murphy Wallace PLLC
- Puget Sound Energy
- Kenyon P. Kellogg, Attorney at Law
- Mundt MacGregor PLLC

Don Burger

From: Russell D. Hauge [RHauge@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 4:29 PM
To: Kevin M. Howell
Subject: Re: Fwd: Gun Club Appraisal = ZERO VALUE (May Absence)

[redacted]

Russ Hauge,
Kitsap County Prosecuting Attorney

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Wednesday, May 06, 2009 5:40 PM
To: Kevin M. Howell; Shelley E. Kneip
Cc: Chip Faver
Subject: Re: Resolution
Attachments: Intent to Sell 42809.doc; Agenda Summary Sale of 72acreparcelcorrected1508.doc; Final Exchange Agreement sent to KC 050609.doc; RESOLUTIONDRAFT42809.doc

Shelley,

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Shelley Kneip 5/6/2009 3:31 PM >>>

[redacted]

NOTICE OF PUBLIC HEARING

A RESOLUTION OF INTENT TO SELL COUNTY PROPERTY

WHEREAS, the Board of Kitsap County Commissioners, upon the advice of the Department of Parks and Recreation and other Departments, intend to dispose of certain Kitsap County property, consisting of 72 acres, located at 4900 Seabeck Hwy, southeast of the intersection of Seabeck Hwy and Holly Road.

WHEREAS, In compliance with RCW 36.34, the Board desires that said County-owned property be sold by the County Treasurer and the proceeds from the sale thereof credited to the Kitsap County Parks Department.

BE IT FURTHER RESOLVED by the Board of County Commissioners of said County of Kitsap, State of Washington;

That the **11th** day of **May, 2009** at the hour of **7:00 P.M.** in the Board of County Commissioner's chambers, County Administration Building, 619 Division Street, Port Orchard, WA, be and the same is hereby fixed as the time and place for a public hearing upon the intent of the above proposal and the Clerk of the Board be and hereby is authorized, empowered and directed to cause notice of such hearing to be published as provided by law.

ALL THOSE INTERESTED are welcomed to attend.

Opal Robertson, Clerk of the Board
Kitsap County Board of Commissioners

NOTE: KITSAP COUNTY DOES NOT DISCRIMINATE ON THE BASIS OF DISABILITY. INDIVIDUALS WHO REQUIRE ACCOMMODATIONS SHOULD CONTACT THE COMMISSIONERS OFFICE AT (360) 337-4428 OR TDD (360) 337-7275 OR 1-800-816-2782. (PLEASE PROVIDE FIVE BUSINESS DAYS NOTICE FOR INTERPRETER SERVICES).

Publication Date: **April 29, 2009**
THE KITSAP NEWSPAPER GROUP

Meeting Date: May 11, 2009
Agenda Item No:

Kitsap County Board of Commissioners

Department: Parks & Recreation
Staff Contact: Matthew Keough, extension 5357
Title: Proposed Disposal of Newly Acquired Special Use Lease Land

Recommended Action: Authorize, by resolution, the sale of a 72-acre special use leased parcel, to be acquired by Kitsap County through the proposed Newberry Hill Land Exchange with the State Department of Natural Resources (DNR).

Summary: DNR proposes to exchange acreage within Central Kitsap that will result in the assignment, to Kitsap County, of an existing special-use lease for the Kitsap Rifle and Revolver Club (KRRC). Instead of retaining this special-use parcel under an-going lease to the KRRC, the County would sell the parcel with conditions that would secure the operations of a non-profit shooting range that is open to the public and that is in a position to steward public funds for firearm recreation. Depending on the value of the property, arrived upon through on-going private appraisal, the sale would be accomplished through either a public auction (requiring a public hearing) or through a direct sale of property. The sale of this parcel is scheduled to occur simultaneously with the proposed Newberry Hill Land Exchange through a single Escrow session in early June, 2009. This resolution would enable the Chair of the County Board of Commissioners to sign a Purchase Sale Agreement for this purpose.

Attachment: Resolution (under development)
Purchase Sale Agreement (under development)

Fiscal Impact

Expenditure required for this specific action:	0
Total cost including all related costs:	0
Related Revenue:	0
Cost Savings:	0
Total Fiscal Impact:	0
Source of Funds:	N/A

Fiscal Impact (DAS) Review

Departmental Coordination

Department	Representative	Recommendation/Comments
Prosecutor's Office	Kevin Howell	
Risk Management	Mark Abernathy	

Contract Information

Contract Number	Date Original Contract or Amendment Approved	Amount of Original Contract Amendment	Total Amount of Amended Contract

Deleted: November 26,
Deleted: 7
Deleted: Elizabeth Ratliff, x5345
Deleted: Well 20 Water Easement Agreement between Annapolis Water District & Kitsap County at South Kitsap Park
Formatted: Font: (Default) Arial, Not Bold, Not Italic
Deleted: ¶
Deleted: Approve well easement agreement with Annapolis Water District KC468-07.
Formatted: Font: (Default) Arial, Not Bold
Deleted: This action formalizes the previous court order issued in 1995 between Annapolis Water District and the South Kitsap Parks District. Annapolis Water District own and operates Well 20 on the South Kitsap Park property located at Jackson & Lund. The Well 20 water system consists of a well, water pump, pump house, power with vault and eight inch water line running from the well to the Annapolis water main on Fir Street. See "Exhibit A" in easement attachment.
Deleted: Attachments:
Deleted: Easement Agreement
... [1]

Page 1: [1] Deleted **mkeough** **4/27/2009 3:08:00 PM**

WASHINGTON STATE DEPARTMENT OF
Natural Resources

NEWBERRY HILL EXCHANGE AGREEMENT

DNR Exchange No. 86- 081861

THIS AGREEMENT is made as of the ____ day of _____, 20__, by and between the STATE OF WASHINGTON, acting by and through the Department of Natural Resources (hereinafter referred to as "State") and Kitsap County Parks and Recreation Department (hereinafter referred to as "Exchanger").

WHEREAS, Exchanger is the owner of certain real property ("Exchange Property") located in Kitsap County, Washington; and

WHEREAS, State is the owner of certain real property ("State Property") located in Kitsap County, Washington; and

WHEREAS, Exchanger desires to acquire the State Property, and State desires to acquire the Exchange Property;

NOW, THEREFORE, in exchange for the mutual promises and covenants herein contained, and other good and valuable consideration, the mutual receipt and sufficiency of which is hereby acknowledged by Exchanger and State, it is agreed as follows:

SECTION 1 EXCHANGE PROPERTY

1.1 Conveyance. Exchanger shall convey and exchange to State, and State shall accept from Exchanger, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit A attached hereto and incorporated by this reference herein, together with the following:

(i) All rights, tenements, hereditaments, easements, associated tidelands, and appurtenances, including, but not limited to, any rights, title and interest of Exchanger in and to all trees, crops, oil, gas, sand, gravel, water rights, or mineral rights;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way;

(iii) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of Exchanger with respect to the property, and an assignment of all representations and warranties made therein to Exchanger.

SECTION 2 STATE PROPERTY

2.1 Conveyance. State shall convey and exchange to Exchanger, and Exchanger shall accept from State, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit B attached hereto and incorporated by this reference herein together with the following

(i) All rights, tenements, hereditaments, easements, and appurtenances, including, but not limited to, any rights, title and interest of State in and to all trees, crops, rock, sand, gravel, or water rights subject to the reservations set forth in 2.2 and 2.3;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way, and except as limited by the easement reserved under Section 2.3;

(iv) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of State with respect to the property, and an assignment of all representations and warranties made therein to State.

2.2 Mineral Reservation. Pursuant to RCW 79.36.620, State reserves minerals in perpetuity for the State Property legally described in Exhibit B-1, said reservation to be in the form set forth on the Quit Claim Deed attached hereto as Exhibit B-4.

2.3 Easement Reservation. State reserves access over and across parcels S-1 and S-2, legally described on Exhibit B-2, for all purposes, said reservation to be in the form set forth in Exhibit B-3, unless otherwise agreed to by State in writing.

SECTION 3. EXCHANGE VALUE

3.1 Exchange Property Value. Based upon its evaluation of the value of the Exchange Property pursuant to RCW 79.17.010, the Department will request the Board of Natural Resources to establish the Exchange Property Value at Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00). The Exchange Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the Exchange Property at less than Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

3.2 Cash and Services Value. Pursuant to the authority granted to State under RCW 79.17.010 during the biennium ending June 30, 2009, Exchanger shall pay cash to the State in the amount of up to Fifty Thousand Dollars ($50,000.00) to reimburse State for its actual administrative costs incurred to facilitate this exchange, and Thirteen Thousand Dollars ($13,000.00) to reimburse State for Road Maintenance and Abandonment costs associated with the Exchange Property. Said cash amount shall be paid by Exchanger to Escrow Company prior to closing. This cost reimbursement shall be deposited into the resource management cost account or the forest development account upon closing, to be determined by the proportion of costs incurred by the trusts benefitting from the respective accounts. In the event the exchange fails to close because either party exercises a right to terminate for failure of a contingency as provided herein, this amount shall be refunded to Exchanger.

3.3 State Property Value. The Department will request the Board of Natural Resources to establish the State Property Value at Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00). The State Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the State Property Value at less than Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

SECTION 4 CLOSING

4.1 Closing Date. "Closing," "Closing Date" or "Date of Closing" as those terms are used herein, shall mean the date upon which all documents are recorded and monies paid to complete the exchange contemplated herein. The Date of Closing shall be as soon as practicable to

facilitate an orderly closing but no later than June 25, 2009 unless otherwise agreed in writing by the parties.

4.2 Escrow. This transaction shall be closed in escrow at Land Title Company of Kitsap County, 9657 Levin Road N.W., Suite 100, Silverdale, WA 98383 ("Escrow Company") which shall be arranged by State within ten (10) days of execution of this Agreement. The parties shall deposit the necessary documents and funds in escrow sufficiently in advance of the Closing Date to facilitate an orderly closing. State and Exchanger shall each pay one-half of the Escrow Company's fee.

SECTION 5 CONVEYANCE, TITLE INSURANCE AND POSSESSION.

5.1 Possession. The parties shall be entitled to possession of the property on the Closing Date, and each party shall have a right of entry pursuant to Section 6 below.

5.2 Form of Deed. On the Closing Date, Exchanger shall convey title to the Exchange Property to State by Statutory Warranty Deed substantially in form as set forth in Exhibit A-1, and State shall convey the State Property to Exchanger by Quitclaim Deed substantially in form as set forth in Exhibit B-4.

5.3 Title Insurance. This Agreement is conditioned upon each party accepting title as set forth below.

(a) State has obtained a preliminary commitment for an ALTA Owner's Standard Coverage Policy of title insurance (hereafter "Preliminary Commitment"). Exchanger agrees to pay the cost of title insurance for the Exchange Property and warrants that Exchanger's Title to the Exchange Property to be good, marketable and insurable subject only to such exceptions approved by State.

(b) State shall not furnish insurance insuring title to the State Property. Exchanger shall be responsible for procuring title insurance for the State Property at Exchanger's sole expense. Exchanger's sole remedy for title defects shall be termination of this Agreement as set forth below. To exercise the termination rights set forth in subsection (d) Exchanger must obtain a Preliminary Commitment of title insurance within fifteen (15) days after the date of this Agreement.

(c) Within thirty (30) days of its receipt of the Preliminary Commitment, or the Date of this Agreement whichever is later, each party must notify the other in writing of any exceptions thereto which are wholly or conditionally acceptable (hereafter "Title Notice"). Following giving of Title Notice, if additional encumbrances affecting either property arise, the party acquiring the affected property shall have twenty (20) days from receipt thereof to review and approve these additional items. Failure to so approve in

writing any exception to title shown in the Preliminary Commitment or arising thereafter shall be deemed to be a disapproval of such exception.

(d) State (without obligation) and Exchanger (by the exercise of its reasonable efforts and with due diligence) shall, prior to or at the Closing Date, at its sole cost and expense, undertake to remove, eliminate or modify any exceptions not acceptable to the other party; provided that in the event Exchanger or State is unable to cure such objections, Exchanger or State shall so advise the other party in writing within five (5) days following the expiration of the review period described in Section 5.3(c) above and thereafter the affected party shall have ten (10) days within which to make an election to accept such encumbrance or terminate and cancel this Agreement. This election shall be made in writing to the other party within said ten (10) day period. A failure to give such written election within said ten (10) day period shall be deemed an election by said party to reject the status of the title and to terminate this Agreement. Upon such termination, the rights and obligations of the parties shall terminate and any monies deposited by a party pursuant to this Agreement shall be returned to the party depositing the same.

(e) On the Closing Date, Exchanger shall cause the Title Company to insure title to the Exchange Property in the name of State in the amount of State's appraised value of Exchange Property, subject only to the exceptions contained in the ALTA Owner's Policy Form, and the exceptions set forth in the Preliminary Commitment which are accepted by State.

SECTION 6 RIGHTS AFTER ACCEPTANCE

6.1 Inspection. After the Date of this Agreement, each party shall permit the other and/or its designated agents to enter upon the property at all reasonable times for the purpose of conducting environmental assessments and investigating the property and the physical condition thereof, including, without limitation, soil, water, and air conditions, and the condition of improvements, if any, upon the property. Inspections by either party shall not be construed as estopping actions upon any warranty made herein.

6.2 Studies.

(a) Studies. Each party shall have the right to prepare, or have prepared, appraisals, market and engineering studies, soils tests, feasibility studies, surveys, resurveys or survey updates, environmental investigations and such other tests, studies or investigations (all of which are collectively referred to as the " Studies") with respect to the property to be received. Each party shall be solely responsible for costs of all the Studies obtained by that party.

(b) Termination Rights. If a party determines, at its sole discretion, that the Studies indicate the property to be received is not suitable for the intended use by that party or the property presents risk of liability unacceptable to that party, that party may terminate this

Agreement without further obligation. Neither party makes any warranty as to the accuracy of the Studies, and no studies or information have been relied upon by either party unless expressly identified in this Agreement.

6.3 Subsequent Acts. Between the Date of this Agreement and the Closing Date, each party shall maintain their property and keep it in condition at least as good as on the Date of this Agreement. Neither party shall remove, or allow to be removed, any timber, harvestable crop, improvements, minerals, sand, gravel, or other item from the property after the Date of this Agreement without prior, written approval by the other party.

SECTION 7 CONTINGENCIES

7.1 State Approval. This Agreement is contingent on approval by the Board of Natural Resources, in its sole discretion, to determine this exchange is for one or more of the purposes enumerated in RCW 79.17.010(1), acting in the best interests of the trusts, and further subject to the Board's confirming this Agreement involves an exchange of equal based upon the Exchange Property Value and State Property Value. If, on or before the thirtieth (30th) day after the Date of this Agreement, State has not delivered to Exchanger a written notice of the Board of Natural Resources' approval (Approval Notice) to consummate the acquisition of the Exchange Property, then State or Exchanger may terminate this Agreement by giving written notice of termination (Termination Notice) to the other party. The right of termination shall not be effective if Exchanger receives the Approval Notice prior to Exchanger sending the Termination Notice.

7.2

7.2.1 Exchanger's Conditions. The obligations of the Exchanger under this Agreement are subject to and contingent upon the following:

a) The conveyance by State to Exchanger of the State Property by Quitclaim Deed, with mineral rights reservations, as described in Section 5.

7.2.2 State's Conditions. The obligations of State under this Agreement are subject to and contingent upon the following:

a) The conveyance by Exchanger to State of the Exchange Property by Statutory Warranty Deed, as described in Section 5; and

b) The termination of the conservation easement attached hereto as Exhibit D, pursuant to the authority granted therein for the substitution of other conservation land, in a manner satisfactory to State.

7.2.3 Mutual Conditions. The obligations of both Exchanger and State under this Agreement are further subject to and contingent upon the following:

(a) The truth and accuracy as of the Closing Date of all representations and warranties set forth in this Agreement or in any instrument or document delivered hereunder.

(b) The delivery on or prior to the Closing Date of all documents and instruments required by the terms of this Agreement.
(c) The performance on or prior to Closing of all acts required under this Agreement.
(d) The absence at Closing of any violation of any federal, state or local law, rule, regulation or ordinance affecting the use, occupancy or condition of the Exchange or State Property.
(e) The absence at Closing of any failure to comply with the order of any court, government authority or agency pertaining to the Exchange or State Property or the use, occupancy or condition thereof.
(f) The absence at Closing of any proceeding or threat of any proceeding to condemn all or any part of the Exchange or State Property by a proceeding in eminent domain.
(g) Conveyance of acceptable title as provided in Section 5.
(h) Approval of the Studies pursuant to Subsection 6.2.
(i) Mutual execution of State's Easement Reservation pursuant to Section 2.3.
(j) Mutual execution of State's assignment of the Kitsap Rifle and Revolver Club lease to Exchanger, substantially in the form attached hereto as Exhibit A-2.

7.3 Waiver. If any condition specified in Section 7.2 is not met at Closing, a party may waive such condition in writing or it may terminate this Agreement without any further liability, provided that any waiver of condition 7.2.2(b) shall not occur without an update to the appraisal confirming that the Exchange Property Value set forth in Section 3.1 would not be reduced as a result of the failure to terminate the conservation easement identified in Section 7.2.2(b).

7.4 Refund. Upon termination under subsection 7.1 or 7.2, any monies deposited pursuant to this Agreement shall be promptly returned to the party depositing the same.

SECTION 8 REPRESENTATIONS AND WARRANTIES OF EXCHANGER

Exchanger makes the following representations and warranties to State. Each of these representations and warranties is material and is relied upon by State. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

8.1 Title. Title to the Exchange Property is vested in Exchanger.

8.2 No Liabilities. There exists upon the Exchange Property no condition which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records which affects the Exchange Property.

8.3 Correctness. The accuracy and truthfulness of all information furnished by Exchanger to State with respect to the Exchange Property excluding Studies.

8.4 Litigation. There is no pending or threatened litigation affecting the Exchange Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither Exchanger nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

8.5 Condition of Exchange Property. Exchanger represents and warrants the following: a) there are no apparent or latent defects in the Exchange Property; b) the Exchange Property does not contain any underground storage tanks, surface impoundments, asbestos or asbestos-containing material, or polychlorinated biphenyls (PCBs) or PCB-containing materials, past or present refuse dump sites, chemical storage sites, areas of heavily stained soil or sites known hazardous materials releases other than those indicated and described by exhibit attached hereto, which is a full representation of such conditions; and c) the Exchange Property is free from the presence of hazardous waste or materials and no hazardous waste or materials have been generated, stored, released, disposed of, or transported over, on or within the Exchange Property. The term "hazardous waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now in effect, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq., and the Model Toxics Control Act, RCW 70.105D. Exchanger has no undisclosed knowledge of any fact or condition that would materially impair the market value of the Exchange Property, would materially increase the cost of operating the Exchange Property or would be inconsistent with the terms of this Agreement.

8.6 Authorization. Exchanger has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by Exchanger will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

8.7 No Real Estate Agent. Exchanger has engaged no real estate agent or broker in connection with this transaction.

8.8 Appraisal Fees Paid. Exchanger has paid all appraiser's fees and charges associated with appraising the Exchange Property and State Property.

SECTION 9 REPRESENTATIONS AND WARRANTIES OF STATE

State makes the following representations and warranties to Exchanger. Each of these representations and warranties is material and is relied upon by Exchanger. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

9.1 No Liabilities. The State has no actual knowledge of any condition upon the State property which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records that affect the State Property.

9.2 Correctness. To the best of State's knowledge, the information furnished by State to Exchanger with respect to the State Property, excluding Studies, is true and accurate.

9.3 Litigation. The State has received no actual notice of pending or threatened litigation affecting the State Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither State nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

9.4 Authorization. State has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by State will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

SECTION 10 INDEMNITY AND HOLD HARMLESS

Exchanger agrees to indemnify, defend with counsel acceptable to State, and hold harmless the State, its agencies, employees, officers and agents from (a) all liabilities, losses, claims, demands, damages, assessments, costs and expenses (including reasonable attorneys' and consultants' fees) of every kind (hereafter "Liabilities") resulting from, arising out of or relating to the breach by Exchanger of any of its representations, warranties, or covenants contained in this Agreement and (b) all Liabilities arising under, resulting from or arising out of any activities of Exchanger, its agents, employees, contractors, subcontractors, permittees, or licensees at the Exchange Property prior to or at Closing.

SECTION 11 DESTRUCTION OR CONDEMNATION

Each party shall bear the risk of loss associated with its property prior to Closing. If, on or before the Closing Date, either property is materially damaged, or condemnation proceedings are commenced with respect to a property, the party receiving that property shall have the right, at its sole election, by giving notice to the other, either to terminate this Agreement or to exchange the property in accordance with this Agreement. If a party elects to terminate this Agreement, all rights and obligations of the parties shall terminate. If a party elects to exchange the property in accordance with this Agreement, the party receiving the damaged or condemned property shall be entitled to all insurance proceeds or condemnation awards payable by reason of such damage or condemnation. Each party shall immediately give notice to the other upon the occurrence of any damage to their property or the initiation of any condemnation proceedings affecting their

property. The term "material damage" as used in this section shall mean any damage or destruction which exceeds three percent (3 %) of the value of the Property.

SECTION 12 CLOSING AND CLOSING COSTS

Prior to or on the Closing Date, Exchanger and State shall deposit the following documents and funds in escrow, to be closed in accordance with the instructions of State and Exchanger consistent with this Agreement:

12.1 Exchanger Obligations. Exchanger shall deposit the following:

(a) Duly executed and acknowledged Statutory Warranty Deed conveying the Exchange Property to State and a Real Estate Excise Tax Affidavit;

(b) Funds necessary to reimburse State for administrative and other costs as specified in Section 3.2;

(c) Assumption of leases and contracts, substantially in form set forth in Exhibit A-2, including Special Use Lease No 60-B068979 shown in Exhibit A-3;

(d) If Exchanger is a corporation or partnership, a certified resolution authorizing the execution of all documents delivered at the Closing;

(e) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by all future owners for existing State forested parcels;

(f) Signed acceptance of the Easement Reservation set forth in Exhibit B-3; and

(g) Such other funds or documents, including without limitation, closing instructions as required of Exchanger to close the exchange in accordance with this Agreement.

12.2 State Obligations. State shall deposit the following:

(a) Duly executed and acknowledged Quit Claim Deed conveying the State Property to Exchanger and a Real Estate Excise Tax Affidavit;

(b) Tenant Estoppel Statements from all current State tenants using format acceptable to State and being similar to Exhibit B-5;

(c) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by State for existing Exchanger forested parcels; and

(d) Such other funds and documents, including without limitation, closing instructions as are required of State to close the exchange in accordance with this Agreement.

12.3 Prorations. All rents and other income, if any, and water, sewer, utility and maintenance charges, and any other expenses with respect to the operation of the properties shall be prorated between Exchanger and State as of the Closing Date, and to the extent information then available, such proration shall be made as of the Date of Closing. Such proration shall be adjusted and completed after the Closing Date as and when complete information becomes available, and State and Exchanger agree to cooperate and use their best efforts to complete such prorations not later than sixty (60) days after the Closing Date. No insurance prorations shall be made. Each party shall pay any assessments charged against their property in full prior to or at Closing unless otherwise agreed in writing. Exchanger shall pay all real estate taxes and personal property taxes related to the Exchange Property, if any, through the Date of Closing. In the event Exchanger has prepaid any real estate taxes, Exchanger may seek a refund from the appropriate county official; State shall have no obligation to refund or pay any such amount to the Exchanger. Exchanger shall pay any real property excise tax due, and the cost of any revenue stamps, if applicable, required to complete this transaction. Each party will pay their own recording fees. Proration for cash rentals for leases will be as of the date of actual closing.

12.4 Compensating Tax. Exchanger shall pay any and all compensating tax, if applicable, as defined under chapters 84.33 RCW or 84.34 RCW that may come due as a result of this transaction.

SECTION 13 CONTINUING FORESTLAND OBLIGATIONS

Exchanger and State acknowledge that the State Property and the Exchange Property are subject to certain continuing forestland obligations applicable to the properties under the forest practices rules adopted pursuant to RCW 76.09.070, including but not limited to the continuing obligations, if any, listed on the notice which is attached hereto as Exhibit C (the "Continuing Obligations"). At or before Closing, Exchanger and State each agree to sign and deliver to the other originals of the notice attached hereto as Exhibit H or such other notice that indicates the Exchanger's and State's knowledge of the Continuing Obligations as may be required by the Washington Department of Natural Resources ("DNR") at the time of Closing. At Closing, Exchanger and State shall each send the executed notice(s) to the appropriate DNR region office of jurisdiction, in accordance with the requirements of RCW 76.09.390. As of Closing, Exchanger and State each assume and agree to perform the Continuing Obligations at their sole cost and expense in a timely fashion.

SECTION 14 SURVIVAL

The representations, warranties, indemnification and obligations (to the extent such obligations are not fully performed at closing) contained herein are intended to survive closing and shall be deemed not to have merged into the deeds.

SECTION 15 REAL ESTATE COMMISSION

Exchanger shall pay any real estate commission payable in connection with this transaction. Any real estate agent or broker acting in this transaction shall be deemed to be the sole agent of Exchanger.

SECTION 16 NOTICES

All notices required or permitted to be given hereunder shall be in writing and shall be deemed given three (3) days following delivery in the United States certified mail, return receipt requested, postage prepaid, or on the date sent via facsimile as follows:

To Exchanger:
Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation Department
614 Division Street, MS-1
Port Orchard, WA 98366

To State:
Brad Pruitt
Transactions Manager
South Puget Sound Region
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

With Copy to:
Cindy Neff
Property and Acquisition Specialist
Asset Management and Recreation Division
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

The foregoing addresses may be changed by written notice.

SECTION 17 MISCELLANEOUS

17.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties. No other prior and contemporaneous negotiations, understandings and agreements, whether oral or written shall be deemed to exist or bind any of the parties hereto.

17.2 Binding Nature. All rights and obligations arising out of this Agreement shall inure to the benefit of and be binding upon the respective successors, heirs, assigns, administrators, executors and marital communities, if any, of the parties hereto.

17.3 Washington Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

17.4 Time of the Essence. Time is of the essence of this Agreement. No waiver or consent to any breach or other default in the performance of any of the terms of this Agreement shall be deemed to constitute a waiver of any subsequent breach of the same or any other term or condition hereof. In the event time for performance falls on a weekend or legal holiday designated by the United States or Washington State, performance shall be deemed to be timely rendered if so rendered on the next business day.

17.5 Captions. The captions and section headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any section.

17.6 Invalidity. If any provisions of this Agreement shall be invalid, void or illegal, it shall in no way affect, impair or invalidate any of the other provisions hereof.

17.7 Counterparts. This Agreement may be signed in counterparts, any one of which shall be deemed an original.

17.8 Date of Agreement. The Date of this Agreement shall be the date on which the last party executes this Agreement. Said date shall be inserted on the first page hereof when such date is determined.

17.9 Good Faith. Both parties shall act reasonably and in good faith in order to consummate this transaction, and neither party shall sell nor dispose of any of the property nor cause or suffer the creation of any matter of record, or defect in the title to the property for the purpose of avoiding its obligation to close.

17.10 Default. In the event that either party defaults in the performance of any of that party's obligations under this Agreement, the non-defaulting party shall have all remedies available in law or equity, but neither party shall be liable for consequential damages.

17.11 Assignability. This Agreement shall not be assigned without the prior written consent of the other party.

17.12 Advice of Counsel. Exchanger acknowledges that it has had an opportunity to seek independent legal advice regarding the transaction.

17.13 Recording. Either party may file a memorandum of the Agreement with the county auditor.

17.14 Exhibits. The following exhibits are attached and shall be incorporated into this Agreement by reference.

Exhibit A	Legal Description for Exchange Property
Exhibit A-1	Statutory Warranty Deed
Exhibit A-2	Assignment and Assumption of Lease
Exhibit A-3	Kitsap Rifle and Revolver Club Lease
Exhibit B	Legal Description for State Property
Exhibit B-1	Form of State's Mineral Reservation
Exhibit B-2	Legal Description of State Reserved Easement Parcels
Exhibit B-3	Form of State's Easement Reservation
Exhibit B-4	Quit Claim Deed
Exhibit B-5	Tenant Estoppel Certificate
Exhibit C	Notice of Continuing Forest Obligation
Exhibit D	Conservation Easement

17.15 Future Access. After Closing, if other rights are needed to provide access to the lands exchanged hereunder, State and Exchanger will cooperate by granting such easements, temporary permits, or licenses as needed with reasonable compensation to be agreed upon by the parties. This subsection 17.15 (c) is intended as a memorandum of understanding only and is not intended as a term of this Agreement. Failure of either party to honor this understanding will not be considered a breach of this Agreement nor grounds to invalidate this Agreement.

17.16 Submission. This Agreement must be executed by Exchanger, and an original delivered to State, at the address set forth in this Agreement, on or before 4:00 p.m. on May 8, 2009, to be considered by State. This Agreement shall not be binding upon State until signed by an authorized representative of State.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year set forth opposite their respective names.

EXCHANGER:

KITSAP COUNTY PARKS AND RECREATION DEPARTMENT

Date: _____, 2009.

_____

By:_____

Title:_____

STATE:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 2009.

_____
Peter Goldmark
Commissioner of Public Lands

Exchange Agreement
Approved as to Form this ____ day of
_____, 2009.

_____
Assistant Attorney General
State of Washington

[CORPORATION NOTARY]

ACKNOWLEDGMENT

STATE OF)
)ss
COUNTY OF)

On this _____ day of _____, 20 __, personally appeared before me _____to me known to be the _____ of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that **he/she/was** **they were** authorized to execute said instrument for said corporation and that the seal affixed is the corporate seal of the said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____
Notary Public in and for the State of
_____, residing at _____.

My appointment expires _____.

[COMMISSIONER NOTARY]

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
County of Thurston)

On this _____ day of _____, 2009, personally appeared before me PETER GOLDMARK, to me known to be the Commissioner of Public Lands, and ex officio administrator of the Department of Natural Resources of the State of Washington, the Department that executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the official seal of the Commissioner of Public Lands for the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

_____
Notary Public in and for the State of
Washington, residing at _____.

My appointment expires _____.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A

Kitsap County property to be conveyed to State

PARCEL I:

THE NORTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL II:

THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL III:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IV:

THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL V:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VII:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VIII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL X:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XI:

THE EAST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XII:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIII:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIV:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XV:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVI:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVII:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVIII:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XX:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIII:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIV:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXV:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVI:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVII:

THAT PORTION OF PARCEL B CONVEYED BY STATUTORY WARRANTY DEED UNDER AUDITOR'S FILE NO. 200404190409 DESCRIBED AS: THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, BEING THAT PORTION OF GOVERNMENT LOT 13, SAID SECTION 2,

EXCEPT THAT PORTION LYING WITHIN THE PLAT OF WILDCAT LAKE TRACTS, ACCORDING TO THE PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 31, RECORDS OF KITSAP COUNTY, WASHINGTON.

PARCEL XXVIII:

THAT PORTION OF GOVERNMENT LOT 8, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF SAID GOVERNMENT LOT 8 (ALSO BEING THE EAST QUARTER CORNER OF SAID SECTION 2); THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 2, A DISTANCE OF 400 FEET; THENCE WEST TO THE EAST LINE OF NW WILDCAT LAKE ROAD; THENCE NORTHERLY ALONG SAID EAST LINE OF NW WILDCAT LAKE ROAD TO THE NORTH LINE OF SAID GOVERNMENT LOT 8; THENCE EAST ALONG SAID NORTH LINE TO THE POINT OF BEGINNING.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-1
Statutory Warranty Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

STATUTORY WARRANTY DEED
Kitsap County

Grantor:	KITSAP COUNTY PARKS AND RECREATION
Grantee:	STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES
Legal Description:	NW4SW4, NE4SW4, SW4SW4, SE4SW4 of 1-24N-1W, and NE4NE4, SE4NE4, NE4SW4, SE4SW4, NW4SE4, NE4SE4, SE4SE4, SW4SE4 of 11-24N-1W, and NW4NW4 of 12-24N-1W and SE4SE4 and Govt. Lot 8 of 2-24N-1W.
Tax Parcel Number:	012401-3-001-1001, 012401-3-002-1000, 012401-3-003-1009, 012401-3-004-1008, 012401-3-005-1007, 012401-3-006-1006, 012401-3-007-1005, 012401-3-008-1004, 112401-1-016-1006, 112401-1-017-1005, 112401-1-018-1004, 112401-1-019-1003, 122401-2-007-1004, 122401-2-008-1003, 112401-3-027-1009, 12401-3-028-1008, 112401-4-001-1007, 112401-4-002-1006, 112401-4-003-1005, 112401-4-004-1004, 112401-3-029-1007, 112401-3-030-1004, 112401-4-005-1003, 112401-4-006-1002, 112401-4-007-1001, 112401-4-008-1000, 022401-4-025-1000, And 022401-4-002-1007.

THE GRANTOR, KITSAP COUNTY PARKS AND RECREATION, for and in consideration of the conveyance by the State of Washington of real property of equal value, hereby conveys and warrants to the STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES, GRANTEE, the real property situated in Kitsap

County, State of Washington, more particularly described in the attached Exhibit A and subject to the exceptions and encumbrances set forth in the attached Exhibit B.

Dated this _____ day of _____, 20___.

By _____

Title _____

DNR Exchange No. 86- 081861

Exhibits
Ackowledgement

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-2

(Form of Assignment of Lease Agreement)

After Recording Return To:
Department of Natural Resources
Asset Management and Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Agreement is between the State of Washington, acting through the Department of Natural Resources ("Assignor") and Kitsap County ("Assignee").

Assignor will transfer certain real property to the Assignee, the legal description which is contained in that certain lease between State of Washington as landlord and KITSAP RIFLE AND REVOLVER CLUB as lessee dated November 17, 2003 under Lease No. 60-B068979. Assignor wishes to assign its rights under the lease as landlord to Assignee and Assignee is willing to assume all of Assignor's obligations under the lease.

NOW THEREFORE, the parties agree as follows:

1. Assignment. Assignor hereby assigns to Assignee all of Assignor's rights, obligations and interests in and to the lease.

2. Assumption. Assignee hereby assumes any and all of Assignor's obligations arising under the lease after the date of this assignment and agrees to indemnify Assignor against and hold Assignor harmless from any and all liabilities, costs, losses, damages, claims or expenses, including, without limitation, reasonable attorney's fees, arising out of the obligations assumed herein.

ASSIGNOR
State of Washington
Department of Natural Resources

_____

_____
Date

ASSIGNEE

_____

_____
Date

CONSENT AND RELEASE

The lessee, _____, hereby consents to the transfer of the property to Assignee subject to the lease and releases Assignor from any and all liability arising under the lease after the date of this agreement.

LESSEE

_____

_____
Date

Pre-approved as to Form
February 12, 2001 by
James Schwartz
Assistant Attorney General

EXHIBIT A-
3

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
DOUG SUTHERLAND, Commissioner of Public Lan

SPECIAL USE LEASE

Lease No. 60-B068979

BY THIS LEASE (hereinafter "Agreement"), the STATE OF WASHINGTON, Department of Natural Resources, (hereinafter "State") leases to KITSAP RIFLE AND REVOLVER CLUB (hereinafter "Lessee") the premises in Kitsap County, Washington, the legal description of which is set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. Said premises and rights leased hereby are hereinafter referred to as the "Premises".

SECTION 1 OCCUPANCY

1.01 Lease Term. This Agreement shall commence on March 1, 2003 ("Commencement Date") and expire on February 27, 2018.

1.02 No Warranty of Quiet Enjoyment. State makes no warranty of quiet enjoyment of the Premises.

1.03 Condition of Premises. Lessee has had an opportunity to inspect Premises and enters into this Agreement solely in reliance on Lessee's own examination and not by reason of any representation by State. Premises are accepted in its present condition "AS IS WHERE IS". No reliance shall be placed on any opinion, material, or information provided by or through State, and Lessee does so at its own risk, cost and expense.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this Agreement, the following uses and no other uses are permitted:

Intensive use and occupancy containing Lessee's improvements, roads, parking areas, open shooting range, targets, and associated infrastructure.	8 Acres
Timberlands, wetlands and similar resource-oriented lands passively utilized by Lessee to provide buffer and safety zones for Lessee's shooting range.	64.41 Acres

In the event the Lessee desires a change in acreage or use, authorization must be obtained in advance and in writing from the State. Approval may be conditioned upon adjustment of the payment in accordance with changes in acreage or use.

SECTION 3 PAYMENT

Payments made hereunder will be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

3.01 Rent. The Lessee shall pay to the State, at Olympia, Washington 98504, in advance, the required rent of $7,200.00 for the period of March 1, 2003 to February 27, 2004 and annually thereafter subject to adjustment under Subsection 3.06.

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3.02 Leasehold Tax. Lessee shall pay to State, the leasehold tax as set forth in RCW Chapter 82.29A - Leasehold Excise Tax as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

3.03 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected, except as expressly provided in Subsection 13.06 (Condemnation).

3.04 Interest Charged for Past-Due Rent and Other Sums Owed. Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the Commencement Date hereof), until paid, on rent or other sums owing under the terms of this Agreement commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this Agreement, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.05 Late Charge for Failure to Pay. In the event the Lessee fails to make any payment of rent due hereunder upon the date due, the State shall be entitled to collect from the Lessee a late charge equal to six percent (6%) of the amount of the delinquent payment. Any failure to pay rent or any amount specified in this Section 3, or any other amount to be paid by the Lessee under terms of this Agreement within thirty (30) days of the date due, shall be a material default hereunder by the Lessee and such default shall entitle the State to pursue all remedies specified in this Agreement, including the right to terminate this Agreement, though failure to exercise such right shall not be construed as a waiver of the right and thereafter pursue any remedies available at law or equity, including those contained in Chapter 59.12 RCW.

3.06 Adjustment of Rent. Beginning on the fifth anniversary of the Commencement Date, and at intervals of five (5) years thereafter (the "Adjustment Date"), a new annual rental will be established. In no event will the adjusted annual rental be less than the previous annual rental. Adjusted rental values established after the designated Adjustment Date shall be due retroactive to such Adjustment Date. The method for such adjustment shall be selected solely by the State from the following options:

(a) Increase of the current annual rent by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), US City Average (1982-84=100), between the date five (5) years previous to the Adjustment Date and the Adjustment Date, i.e., adjusted rental amount equals current annual rent times CPI as of current Adjustment Date divided by CPI as of date five (5) years previous. In the event the CPI ceases to be published, the State may substitute such other comparable cost of living index as then may be in publication by a comparable governmental agency.

(b) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through evaluation of pertinent market evidence by State lease administrator and/or other appropriate State personnel.

(c) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through formal appraisal by State's appraiser, certified general appraiser under contract with the State, or such other appraiser as may be agreed to by State. Such appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Institute.

The market value will be determined exclusive of Lessee's improvements and as though ownership were in fee simple, not encumbered by lease.

Under (b) and (c) above, the new annual rental above shall be computed by multiplying the market value of the Premises by the then current Prime Rate as of the Adjustment Date plus 200 basis points (Prime Rate + 2.0%). The term "Prime Rate" shall mean the Prime Rate as published in The Wall Street Journal from time to time (or the average Prime Rate if more than one is published), any change in such Prime Rate to effect a change in the rate charged hereunder on the date of each such change. If The Wall Street Journal ceases to be published or ceases to publish a Prime Rate, then State shall designate another nationally recognized business publication which publishes such a rate or such rates which does, in the reasonable opinion of State, represent the "Prime Rate" as defined herein.

3.07 Failure to Adjust Not Waiver. Failure of State to adjust rent pursuant to Subsection 3.06 above at the end of any five (5) year period, shall not be a waiver by State of the right to adjust rent at the end of any subsequent five (5) year period. State shall retain the right, for so long as this Agreement remains in effect, to adjust rent as of the end of any five (5) year period, as though all prior adjustments had been made in accordance with the above provisions.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this Agreement. Failure to inspect or enforce compliance shall not be construed as a waiver of the State's right to declare a breach, nor relieve Lessee of any liability to the State for any breach of the terms, conditions, or requirements of this Agreement.

4.02 Compatible Uses. State reserves for itself, its successors and assigns, the right at all times for any purpose to cross and re-cross the Premises at any place or grade, to grant easements/licenses over or leases to the Premises, to sell, or otherwise dispose of minerals, coal, oil, timber, gas, or other valuable materials from the Premises insofar as the State's activities on the Premises and any grant of rights the State makes to any person or entity shall not unreasonably interfere with the activities permitted hereunder.

4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.

SECTION 5 SPECIAL RESTRICTONS

5.01 Permits and Conformance With Laws.

(a) Lessee shall obtain all building permits and other required permits, licenses, permissions, consents, and approvals from governmental agencies or third parties in connection with this Agreement and Lessee's permitted use including construction of any improvements, changes, alterations, additions, repairs, maintenance to or replacement of the Premises, or for the conduct of any business upon the Premises at the sole cost and expense of Lessee. Copies of such permits, licenses, permissions, consents, and approvals shall be supplied to State on request.

(b) Lessee shall conform to all applicable laws, regulations, permits, orders, or requirements of any public authority affecting the Premises and the use thereof, and shall correct at the Lessee's own cost and expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use. In no event shall Lessee undertake or suffer any activity to be conducted upon the Premises which constitutes a nuisance or which is a threat to the health or welfare of the general public.

(c) Lessee shall cause all work on the Premises and all business conducted thereon during the term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

5.02 Other Restrictions on Use.

(a) Lessee shall cut no State timber or remove State-owned valuable material, without prior written consent of the State. Prior to State's authorization for the cutting of timber, or removal of valuable material, the Lessee must pay to the State the fair market value of the timber or valuable material, as determined by the State.

(b) Lessee shall take all reasonable precautions to protect the land and improvements on the Premises from fire, make every reasonable effort to report and suppress such fires as may affect the Premises, and shall be subject to applicable fire laws affecting the Premises.

(c) Lessee shall prevent accumulation of equipment parts or "bone yards" on the Premises.

(d) This Agreement does not convey rights to media uses, communication sites, or any use on the Premises other than those expressly stated in this Agreement.

5.03 Habitat Conservation Plan. The Premises are located within an area that is subject to State's Habitat Conservation Plan adopted in connection with Incidental Take Permit No. PRT-812521 (ITP) as supplemented by Permit No. 1168 (Collectively "ITP"). As long as the Habitat Conservation Plan remains in effect, Lessee and all persons acting under Lessee shall comply with the terms and conditions set forth in Exhibit 5A while operating on the Premises. State shall have the right to modify these terms and conditions from time to time to comply with the Habitat Conservation Plan, the ITP, the Endangered Species Act, the implementing regulations, and amendments thereto, or the requirements of the federal agencies administering these laws.

SECTION 6 UTILITIES, TAXES, LIENS

6.01 Utilities and Maintenance. During the term of this Agreement, Lessee shall pay all expenses incurred by Lessee in the use, enjoyment, and operation of the Premises, including, but not limited to, utility charges and all costs of maintaining and repairing the Premises and all improvements thereon whether now existing or hereafter installed. Lessee shall indemnify and hold the State harmless against any loss, liability, or expense resulting from any failure of Lessee to pay all such charges when due.

6.02 Taxes and Assessments.

(a) Lessee shall pay during the term of this Agreement all taxes and other governmental charges of any kind applicable or attributable to the installation of Lessee owned improvements on the Premises, Lessee's leasehold interest therein, and Lessee's use and enjoyment thereof.

(b) Lessee shall pay its prorated share of all assessments that are legally required to be paid now or may be charged during the Agreement term to the Premises or Lessee owned improvements thereon. Lessee shall not cause or suffer the imposition of any assessment upon the Premises without the prior written consent of State. In the event any new assessment is proposed which affects the Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Premises shall be made in compliance with all applicable statutes, including, but not limited to, Chapter 79.44 RCW.

6.03 Lessee Liens. Lessee shall not suffer or permit any lien to be filed against the State's interest in the Premises, or improvements thereon by reason of work, labor, or services performed thereon or materials supplied to, by or through the Lessee. If any such lien is filed, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in

writing by the State in advance. Lessee shall indemnify the State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to termination or cancellation of this Agreement.

SECTION 7 LESSEES INDEMNITY; INSURANCE REQUIREMENTS

7.01 Indemnity. Lessee releases and shall indemnify and defend (with counsel acceptable to State) State, its employees, officers, and agents from and against any and all claims arising out of the use, occupation or control of the Premises by Lessee, its agents, and employees. A "claim" as used in this subsection means any claim of any nature whatsoever for penalties, financial loss, damages (including but not limited to bodily injury, sickness, disease or death, or injury to or destruction of property, land and other natural resources including the loss of use thereof), costs or expenses (including but not limited to attorney's fees), whether or not resulting in a suit or action or reduced to judgment. This release and the obligation to indemnify shall not be eliminated or reduced by the concurrent negligence of the State, its officials, employees, or agents, except as provided in this subsection. To the extent that RCW 4.24.115 applies, Lessee shall not be required to indemnify State from State's sole or concurrent negligence. Lessee waives its immunity under Title 51 to the extent it is required to indemnify the State herein.

7.02 Insurance Requirements. Lessee shall, at all times during the term of this contract at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance may result in the termination of the contract at State's option.

All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the department's risk manager before the contract is accepted. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications:

1. Insurers subject to Chapter 48.18 RCW (admitted and regulated by the Insurance Commissioner): The insurer shall give the State 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

2. Insurers subject to Chapter 48.15 RCW (surplus lines): The State shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

Before starting work, Lessee shall furnish with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements

specified in the contract and, if requested, copies of polices to State. The certificate of insurance shall reference the State of Washington, Department of Natural Resources, and the lease number.

Lessee shall include all subcontractors as insured under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each subcontractor. Subcontractor(s) must comply fully with all insurance requirements stated herein. Failure of subcontractor(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella, and property insurance policies.

All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this contract. All insurance policies must expressly waive any right of subrogation by the insurance company against the State and the State's officials, employees, and agents.

If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this contract.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Commercial General Liability (CGL) Insurance. Lessee shall maintain general liability (CGL) insurance covering claims for bodily injury, personal injury, or property damage arising on the property and/or out of Lessee's operations and, if necessary, commercial umbrella insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insured (cross liability) condition.

Employer's Liability ("Stop Gap") Insurance. Lessee shall buy employers liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

Workers' Compensation Coverage. Lessee shall comply with all State of Washington workers' compensation statutes and regulations. Workers' compensation coverage shall be provided for all employees of Lessee and employees of any subcontractor or sub-subcontractor. Coverage shall include bodily injury (including death) by accident or disease, which exists out of or in connection with the performance of this contract. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers' compensation, employer's liability, commercial general liability, or commercial umbrella liability insurance.

If Lessee, subcontractor or sub-subcontractor fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee or subcontractor or sub-subcontractor employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such employees.

Business Auto Policy (BAP). Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01. Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

Builders Risk Insurance. If applicable, Lessee shall buy and maintain in force builders risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance shall be written on a completed form and in an amount equal to the value of the completed building, subject to subsequent modifications to the sum. The insurance shall be written on a replacement cost basis. The insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

Insurance described above shall be written to cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse. Insurance described above shall cover the entire work at the site including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property shall include portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding, falsework, and temporary buildings located at the site. The policy shall cover the

cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance or regulation.

Any deductible applicable to the insurance bought in compliance with the policy described above shall be identified in the contract documents and the responsibility for paying the part of any loss not covered because of application of deductible(s) shall be the responsibility of the Lessee. If any part of any loss is not covered because of the application of a deductible amount not identified in the contract documents, Lessee will pay such loss. Lessee shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by State. If testing is being performed, such insurance shall cover such operations. This insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

SECTION 8 WEEDS, HARMFUL SUBSTANCES

8.01 Weed Control. Lessee shall control all weeds on the Premises. Lessee shall be responsible for, or shall immediately reimburse State for, any all weed control cost incurred, as a result of Lessee's failure to control all weeds on said Premises.

Lessee shall prevent weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new weeds. Weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of Washington State and Federal law.

Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

a. Preventing weed problems;

b. Monitoring for the presence of weed species;

c. Establishing the density of the weed population (which may be zero) that can be tolerated;

d. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

e. Evaluating the effects and efficacy of weed control treatments.

8.02 Hazardous, Toxic, or Harmful Substances.

(a) Deleterious Material. Lessee shall not make, or suffer to be made, any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by the State, or unless permitted by Subsection 2.01 (Permitted Use). If the Lessee fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, the Lessee agrees that the State may, but is not obligated to, remove such materials and charge the Lessee for the cost of removal and disposal.

(b) Hazardous, Toxic, or Harmful Substances.

(1) Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use under Subsection 2.01 (Permitted Use) and unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall:

(i) Immediately notify the State of: all spills or releases of any Hazardous Substance affecting the Premises; all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended; all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises; and all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises; and

(ii) On request, provide copies to the State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises.

(2) Lessee shall be fully and completely liable to the State, and shall indemnify, defend, and save harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

SECTION 9 ASSIGNMENTS

Assignment. Lessee shall not hypothecate, mortgage, assign, sublease, transfer, or otherwise alienate this Agreement ("Assignment"), or any interest therein, without the prior written consent of State, which consent shall not be unreasonably withheld. In granting any such consent under this clause State shall be entitled to consider, among other items, the proposed assignee's, sublessee's or transferee's financial condition, business reputation, business, and such other factors as may reasonably bear upon the suitability of the assignee, sublessee, or transferee as lessee of the Premises. If Lessee is a corporation, partnership, or other association, (1) the transfer of more than fifty percent (50%) of the ownership interest in such entity, or (2) the sale of all or substantially all of the assets of Lessee shall be deemed to constitute an "assignment" of this Agreement which requires consent of State. The consent of State to any one assignment shall not constitute a waiver of State's right to consent to subsequent assignments, nor shall consent of State to any one assignment relieve any party previously liable as Lessee from any obligations under this Agreement, who shall remain joint and severally liable as primary obligor and not as surety. The acceptance by State of the payment of rent following an assignment shall not constitute consent to any assignment and State's consent shall be evidenced only in writing. The State may require reimbursement for any additional administrative costs resulting from the assignment.

SECTION 10 IMPROVEMENTS

10.01 Authorized Improvements. No improvement shall be placed on the Premises without the prior written consent of the State. Consent may be granted through this Agreement resulting in the State's approval of the authorized improvements listed herein as Exhibit 10A, or by written Letter of Authorization issued by the State.

10.02 Plan Approval. The plans or specifications for the construction of the authorized improvements listed on Exhibit 10A or authorized by Letter of Authorization issued by State, and for such changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval.

10.03 Ownership of Improvements. During the Term of this Agreement, the improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, all improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of State, unless State requires their removal pursuant to Section 10.04 below. Throughout the term of this Agreement, Lessee shall not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Premises for work or labor done, services performed, or materials used or furnished to be used in or about the Premises for or in connection with any construction, improvements or maintenance or repair thereon made or permitted to be made by Lessee, its agents, or sublessees. Any liens, encumbrances or claims of third parties with respect to any of the foregoing, shall be expressly subordinate and subject to the rights of State under this Agreement.

10.04 Condition at End of Lease. Upon vacating the Premises on the termination date, Lessee shall leave the Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Agreement and shall peaceably surrender the same to State. At the option of State, Lessee shall at its sole expense remove all improvements constructed by Lessee upon the Premises and return the Premises to grade level free of all debris.

10.05 Surety Bond. A surety bond, certificate of deposit assignment, or letter of credit may be required by State to assure completion of construction or development of any improvements costing in excess of $2,500.

10.06 Hold Harmless. Lessee shall indemnify, defend and hold harmless State and the Premises from and against all claims and liabilities arising by virtue of or relating to construction of the authorized improvements or repairs made at any time to the authorized improvements (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the State of Washington, with respect to all aspects of such work and materials therefore, and will make them available for inspection by State or its representatives as requested.

10.07 Permits; Compliance with Codes. Lessee shall cause all work on the Premises during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction. Lessee is responsible, at Lessee's sole cost and expense, to cause the authorized improvements and the Premises to comply with all applicable governmental laws, statutes, rules, regulations and/or ordinances that apply to the Premises during the Agreement Term, whether now in effect, or hereinafter adopted or enacted.

10.08 State's Repairs. State shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Premises, or any part thereof, during the term of this Agreement.

10.09 Lessee's Repairs, Alteration, and Maintenance. Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this Agreement, and keep and maintain the whole of the premise, including all improvements in a clean, sanitary and attractive condition.

SECTION 11 ROADS (NOT APPLICABLE)

SECTION 12 DEFAULT AND REMEDIES

12.01 Default. In the event of any material breach of any provision of this Agreement by Lessee, the breach, after expiration of any grace period as provided in this subsection, shall be

deemed a default entitling State to cancel this Agreement and seek any other remedies set forth in this Agreement or otherwise available at law or equity. State shall deliver to Lessee notice of the breach and a demand that the same be remedied immediately. Lessee shall not be in default if the breach pertains to the payment of money and Lessee cures the breach within thirty (30) days of receipt of the notice, or if the breach pertains to a matter other than the payment of any monies due under this agreement, Lessee shall after receipt of the notice promptly commence to cure the breach and shall cure the breach within forty-five (45) days after receipt of the notice. If such breach is non-monetary in nature, and, as determined by State, is not reasonably susceptible of being cured in said forty-five (45) days (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), Lessee shall commence to cure such breach within said period and diligently pursue such action with continuity to completion. If Lessee fails to cure a default, all Lessee owned improvements shall at the option of State, be removed by Lessee, be removed by State at the cost to Lessee, or become the property of State.

12.02 Reentry. In the event of any default by Lessee, State shall have the right, with or without canceling the Agreement, to reenter the Premises and remove all persons and property from Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this Agreement unless a written notice of termination is given to Lessee.

12.03 Termination of Agreements. Whether or not State elects to terminate this Agreement on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions or other arrangement for possession affecting Premises. Alternatively, State, in its sole discretion, may succeed to Lessee's interest in such sublease, license, concession or arrangement, and Lessee shall have no further right to or interest in the rent or other consideration receivable thereunder.

12.04 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this Agreement and shall continue as obligations until fully performed. All clauses of this Agreement that require performance beyond the termination or expiration date shall survive the termination or expiration date of this Agreement. Upon expiration or earlier termination of this Agreement, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements hereon, unless specified otherwise in this Agreement, shall cease.

12.05 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, the State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to the Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

12.06 Remedies Cumulative. The specified remedies to which the State may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this Agreement.

12.07 Nonwaiver. Waiver by the State of strict performance of any provision of this Agreement shall not be a waiver of nor prejudice the State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by the Lessee of any provision of this Agreement shall not constitute a waiver of any right of the State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall expressly do so in writing.

12.08 Force Majeure. The Lessee's failure to comply with any of the obligations under this Agreement shall be excused only if due to causes beyond Lessee's control and without the fault or negligence of the Lessee, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

12.09 Insolvency of Lessee. If the Lessee becomes insolvent, a receiver is appointed, or Lessee's interest is transferred by operation of law by reason of insolvency, the State may terminate this Agreement at its option. Insolvency as used herein will mean the inability of the Lessee to meet its monetary obligations under this Agreement as they come due.

SECTION 13 GENERAL PROVISIONS

13.01 Governing Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

13.02 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the activities conducted and business carried on under this Agreement, and the State shall have no obligation with respect to the Lessee's debts or other liabilities.

13.03 Lessee's Authority. Persons executing this Agreement on behalf of Lessee represent that they are authorized to do so and represent and warrant that this Agreement is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

13.04 State's Authority. This Agreement is entered into by State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this Agreement which may lawfully be enacted subsequent to the date of this Agreement.

13.05 Preservation of Markers. Lessee shall not destroy any land survey corner monuments and reference points (including but not limited to corner markers, witness objects, or line markers) without prior written approval from the State, which shall not be unreasonably withheld. Monuments or reference points that must necessarily be disturbed or destroyed during construction or operations must be adequately referenced and replaced, at the Lessee's cost, under the direction of a State of Washington Professional Land Surveyor, in accordance with all applicable laws of the State of Washington, including but not limited to RCW 58.24, and all relevant Department of natural Resources regulations.

13.06 Condemnation. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, this Agreement terminates as of the date the condemner takes possession. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, the State or Lessee may choose to terminate this Agreement as of the date the condemner takes possession. If either the State or Lessee elects to terminate this Agreement, the rents or other charges to be paid by Lessee will be apportioned by the State and paid by the Lessee to the date of taking. If neither the State nor Lessee elects to terminate this Agreement, the rent will be reduced in the same proportion that the value of the portions of the site to be taken bears to the value of the entire site as of the date condemner takes possession.

If the taking is for a period which will end on or extend beyond the expiration of the term of this Agreement, Lessee will have no claim or interest in or to any award of damages for the whole or partial taking of the site, except that the Lessee will be entitled to an amount equal to the fair market value of any improvements as of the date of taking (except trade fixtures) considered by this Agreement to be owned by the Lessee taken by the condemner.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Agreement will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the Premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

13.07 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.
Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of the State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

13.08 Time of Essence. Time is expressly declared to be of the essence of this Agreement and each and every covenant of Lessee and the State hereunder.

13.09 Amendments. Any amendments, revisions, supplements, or additions to this Agreement or the attached exhibits shall be made in writing executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.

13.10 Entire Agreement. This written Agreement or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

13.11 Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

13.12 Attorney Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the prevailing party shall be entitled to reasonable attorney fees, paralegal fees, accountant and other expert witness fees and all other fees, costs and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

13.13 Notices and Submittals. Any notice or submittal given under this Agreement shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted. Changes of address may be given in accordance with this section. Any notice or submittal given under this Agreement shall be:

To the State:

Where Agreement provisions require submittal to State office:
Department of Natural Resources
Product Sales and Leasing Division
P.O. Box 47061
Olympia, WA 98504-7061

Where Agreement provisions require submittal to the State at its Region office:

Department of Natural Resources
South Puget Sound Region Region
950 Farman Avenue North
Enumclaw, WA 98022

To the Lessee at the address affixed with signature or Lessee's last known address.

13.14 Exhibits. This agreement is subject to the terms and conditions of exhibits referenced herein, which are attached hereto and by this reference made a part hereof.

Exhibits: 1A - Legal Description and Encumbrances, 5A - HCP Requirements, 10A - Authorized Improvements

KITSAP RIFLE AND REVOLVER CLUB

Dated: Nov. 12, 2003.

BRAD SMITH, PRESIDENT

Address: 4900 Seabeck Hwy NW
Bremerton, WA 98312

Phone: (360) 373-1007

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: November 17, 2003.

ART TASKER,
South Puget Sound Region Manager

Approved as to form this
27 day of February, 2003
Jim Schwartz, Assistant Attorney General

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Art Tasker is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the Region Manager of Washington State Department of Natural Resources, South Puget Sound Region to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: November 17, 2003

(Seal or Stamp)

Floella C. McKinley
NOTARY PUBLIC in and for the
State of Washington
My appointment
expires 6/29/04
expires

FLOELLA C. MCKINLEY
COMMISSION EXPIRES
NOTARY
PUBLIC
6-29-04
STATE OF WASHINGTON

EXHIBIT 10A
Authorized Improvements

(1) One 12 foot X 120 foot covered rifle position shooting building.

(2) One 12 foot X 105 foot covered pistol position shooting building.

(3) One 12 foot X 20 foot storage shed.

(4) One 8 foot X 12 foot target shed.

(5) Electrical meter service panel and power poles.

EXHIBIT 5A
HCP REQUIREMENTS

1. The Lessee shall immediately notify the State of new locations of Permit species covered in the Incidental Take permit (ITP) that are discovered within the leased Premises covered by the Habitat Conservation Plan (HCP), including, but not limited to: locations of occupied murrelet habitat; spotted owl nest sites; wolves; grizzly bears; nests, communal roosts, or feeding concentrations of bald eagles; peregrine falcon nests; Columbian white-tailed deer; Aleutian Canada geese; and Oregon silverspot butterflies. In all circumstances notification must occur within a 24 hour time period.

2. Upon locating any live, dead, injured, or sick specimens of any listed species covered by the ITP within the leased Premises the Lessee shall immediately notify the State. In all circumstances notification must occur within a 24 hour time period. Lessee may be required to take certain actions to help the State safeguard the well being of any live, injured or sick specimens of any listed species discovered, until the proper disposition of such specimens can be determined by the State.

3. Lessee shall refer to ITP number PRT-812521 (a copy of the ITP is located for reference in the region office) in all correspondence and reports concerning Permit activities.

4. All applicable provisions of the ITP and this schedule must be presented and clearly explained by Lessee to all authorized officers, employees, contractors, or agents of Lessee conducting authorized activities on the Property. Any questions Lessee may have about the ITP should be directed to the State.

5. At this time, the following sensitive areas, conditions or species have been identified on the Premisis. Contact the State for more information on the identified areas.

Riparian Management Zones

Bodies of water, including but not limited to those streams, rivers and lakes and other lakes and wetlands have been identified and/or may be located on the Premises. All activities within the Riparian Management Zone, as defined in the HCP and including that portion of the inner riparian ecosystem between the aquatic zone and the direct influence zone (uplands) and including the outer wind buffer, must comply with the current HCP Procedures. Activities in a Riparian Management Zone, including but not limited to cutting or removing any tree and/or timber (including hardwood, merchantable and unmerchantable timber, downed timber, windthrow and snags), and road, trench and/or trail use, and/or maintenance, may be restricted or not permitted during specific times. All activities must provide for no overall net loss of naturally occurring wetland acreage and function.

State Property to be conveyed to Kitsap County
STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
State Land Survey Unit
PO Box 47030
Olympia, WA 98504-7030

Dated 4-6-09

FILENAME:L2269 S25 T25 R1W

EXHIBIT B-1
(State's Mineral Reservation)

Mineral Reservation

The Grantor hereby expressly saves, excepts, and reserves out of the grant hereby made, unto itself and its successors and assigns forever, all geothermal steam and heat and all metals, oils, gases, coal, ores, minerals, and fossils of any nature whatsoever and of every name, kind, or description (excluding surface minerals such as rock, sand and gravel) in, under or upon that portion of the land legally described on the attached Exhibit B-2 (the "Mineral Land"), or any part thereof, and the right to explore the same for such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils; and it also hereby expressly saves and reserves out of the grant hereby made, unto itself and its successors and assigns forever, the right to enter by itself or its agents, attorneys, and servants upon the Mineral Land, or any part or parts thereof, at any and all times, for the purpose of opening, developing, and working mines thereon, and taking out and removing therefrom all such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its successors and assigns, forever, the right by its or their agents, servants, and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, and railroads, sink such shafts, remove such soil, and to remain on the Mineral Land or any part thereof for the business of mining and to occupy as much of the Mineral Land as may be necessary or convenient for the successful prosecution of such mining business, hereby expressly reserving to itself and its successors and assigns, as aforesaid, generally, all rights and powers in, to, and over said Mineral Land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and the rights hereby expressly reserved.

No rights shall be exercised under the foregoing reservation, by the Grantor or its successors or assigns (including a lessee under any oil and gas lease), until provision has been made by the Grantor or its successors or assigns to pay to the owner of the Mineral Land, or portion of the Mineral Land upon which the rights reserved herein to the Grantor or its successors or assigns are sought to be exercised, full payment for all damages sustained or to be sustained by said owner by reason of entering upon said Mineral Land and exercising such rights; PROVIDED, That if the owner of said Mineral Land from any cause whatever refuses or neglects to settle said damages, then the Grantor or its successors or assigns, or any applicant for a lease or contract from the state for the purpose of prospecting for or mining valuable minerals, or option contract, or lease, for mining coal, or lease for extracting petroleum or natural gas, shall have the right to institute such legal proceedings in the superior court of the county wherein the Mineral Land is situate, as may be necessary to determine the damages which said owner of said land may suffer; provided, however, the Mineral Land owner may, at its option, require that such determination be made by arbitration in accordance with the rules of the American Arbitration Association; provided, Grantor shall not be obligated to so arbitrate if Grantor's lessee under any applicable oil and gas lease is not legally required to so arbitrate.

As used in the foregoing paragraph, the term "damages" shall include, without limitation, actual and consequential damages, including loss of or damage to the surface, improvements, growing crops and timber, loss of future timber production, injury or damage to the Mineral Land owner's business operations thereon, all compensating or roll-back taxes arising or to arise from the loss of the forest land or timberland tax classification due to the exercise of any such reserved rights, and the cost of road maintenance, resurfacing and repair arising or to arise from the exercise of such reserved rights. To the extent the Mineral Land owner or its successors or assigns receives compensation for such damages from a successor or assign of Grantor (such as a lessee under an oil and gas lease) with respect to a particular activity or operation by such party, then Grantor shall not be required to make payment for such particular activity or operation (i.e., Mineral Land owner shall not be entitled to receive duplicative payment for damages for the same activity or operation).

EXHIBIT B-2
(Description of Areas Subject to State's Mineral Reservation)

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-3
RESERVATION OF EASEMENT ACROSS S-1 and S-2

Terms and Conditions of Reserved Easement by State

Grantor, as defined in that deed to which this reservation is attached, hereby reserves to itself, its successors and assigns, a permanent, nonexclusive Easement over parcels of land in Kitsap County, identified in Exhibit A to the deed as S-1 and S-2 and legally described as follows (hereafter Newberry Hill Parcel):

Parcel S-1
The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2
Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Said Easement to be sixty (60) feet in width running thirty (30) feet on each side of a centerline of an existing road(s) located approximately as shown on Exhibit B Easement Area (hereafter Easement Area).

Purpose. The Easement is reserved to provide access for any and all purposes, to and from lands owned by the Grantor. Authorized use shall include the right to travel, maintain, repair, construct or reconstruct the Easement Area.

Appurtenant. Subject to the terms and conditions herein, this Easement reservation is made to provide access to and from all real property owned by Grantor and all other real property of Grantor, now owned or acquired as of the execution date of this Quitclaim Deed or hereafter acquired by the Grantor (hereafter Benefited Parcel(s)).

Grantee Rights. Grantee, as defined in that deed to which this reservation is attached, shall have the right at all times for any purpose, to cross and recross the Easement Area at any place on grade or otherwise. Grantee may grant to third parties any or all of the rights reserved therein; provided, that use by such party shall be subject to the terms and conditions of this

Easement and shall not unreasonably interfere with the rights reserved to Grantor herein. Grantee shall own all timber now on or hereafter growing within the Easement Area and the right to remove said timber.

Relocation. Grantee shall have the right to relocate the Easement Area at the Grantee sole cost so long as the new location does not unreasonably interfere with the rights of Grantor herein.

Maintenance. The cost of road maintenance and resurfacing shall be allocated on the basis of respective uses of said roads. When any party uses a road, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of maintenance and resurfacing occasioned by such use as hereinafter provided. During periods when a road is being used solely by one party, such party shall maintain that portion of said road so used to the standards existing at the time use is commenced. During periods when more than one party is using the same road, or any portion thereof, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but shall not be limited to:

a. The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed at a reasonable and agreed upon rate the maintenance and resurfacing of the road or the portion thereof being used; and

b. A method of payment by which each party using said road or a portion thereof, shall pay its pro rata share of the cost incurred by said maintainer in maintaining or resurfacing said road or portion thereof.

For purposes of this easement reservation, maintenance is defined as the work normally necessary to preserve and keep the roadway, road structure and road facilities as nearly as possible in their present condition or as hereafter improved.

Repairs. Each party using any portion of a road shall repair, or cause to be repaired, at its sole cost and expense, that damage to said road occasioned by it which is in excess of that which it would cause through normal and prudent usage. Should damage be caused by an unauthorized user, the cost of repair shall be treated as ordinary maintenance and handled as set forth above.

Improvements. Unless the parties agree in writing to share the cost of improvements in advance of such improvements being made, such improvements shall be solely for the account of the improver.

Permittees. The Grantor may permit its respective agents, contractors, licensees, lessees, purchasers of timber or other valuable materials, and their agents, hereinafter individually referred to as "Permittee" and collectively referred to as "Permittees," to exercise the rights reserved hereby.

Insurance. The State of Washington, including all its agencies and departments, is self insured for all exposures to tort liability, general liability, property damage liability and vehicle liability,

as provided in statute, but only as respects the negligence of the State. So long as the State of Washington continues to be the easement holder of this reservation, it shall not be required to carry insurance. Should the State's rights be assigned or transferred to another entity in whole or in part, such entity shall carry insurance as required below.

Before using any of said rights granted herein, the State's Successors and Assigns (Assignees) and Permittees shall obtain and keep in force the following liability insurance policies, insuring against liability arising out its operations, including use of vehicles, with the corresponding minimum amounts of coverage:

a. Commercial General Liability (CGL) insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the general aggregate limit shall be at least twice the "each occurrence" limit, and the products-completed operations aggregate limit shall be at least twice the "each occurrence" limit.

b. Employer's Liability ("Stop Gap") insurance, and if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

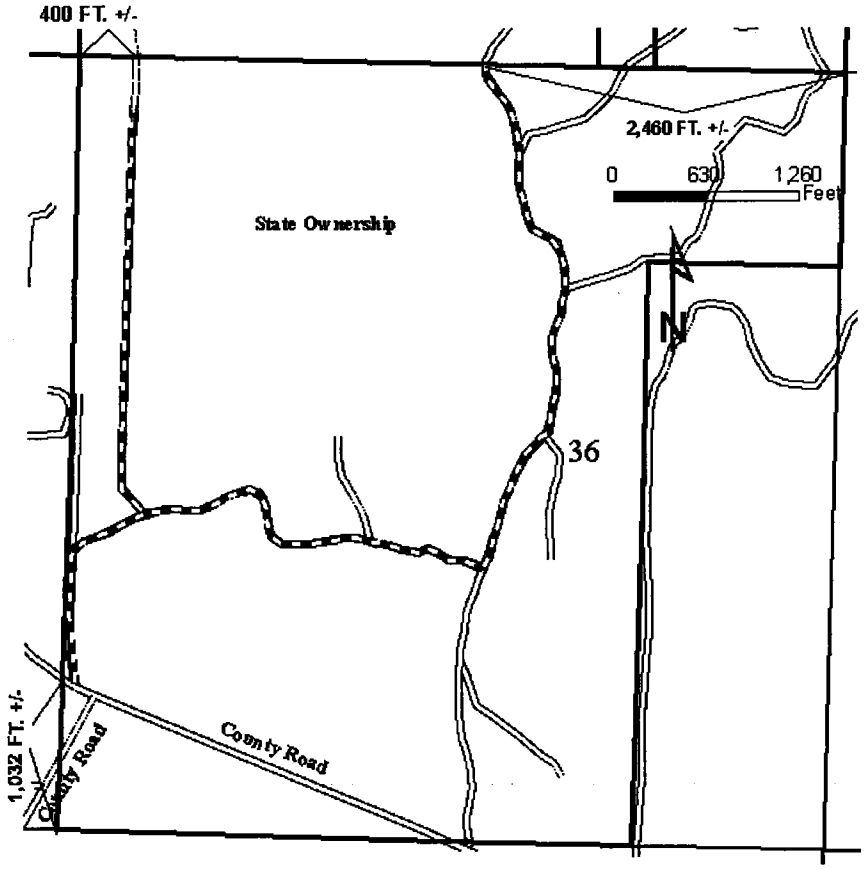
c. Business Auto Policy (BAP) and if necessary, commercial umbrella liability insurance with a limit of not less than $1,000,000 per accident, with such insurance covering liability arising out of "Any Auto". Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later versions of CA 00 01. Grantee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

All Assignees and Permittees shall comply with all State of Washington workers' compensation statutes and regulations. Worker's compensation coverage shall be provided for all employees of assignees and employees of any subcontractors or sub-subcontractors.

Assignees and Permittees shall deliver to Grantee, upon request, a certificate of insurance executed by a duly authorized representative of each insurer showing compliance with the insurance requirements specified above. In the event of cancellation or non-renewal of any coverages, written notice as prescribed in statute (Chapter 48.18 RCW or Chapter 48.15 RCW) will be provided to Grantee.

Successors. The terms of this reservation run with the land and shall bind the successors and assigns of both Grantor and Grantee. Grantee shall be deemed to have accepted the terms of this reservation and be bound by the same by accepting delivery of the deed.<insert easement acknowledgement signature blocks for state and kitsap county>

EXHIBIT B
EASEMENT AREA
DEPARTMENT OF NATURAL RESOURCES
SECTION 36, TOWNSHIP 25 NORTH, RANGE 01 WEST, W.M. IN KITSAP COUNTY, WA
DNR EASEMENT NO. 50-_____



EXISTING STATE EASEMENT RESERVATION ROAD.
ROAD LENGTH = 10,727 FT. +/-, EASEMENT AREA = 14.84 +/- AC.
NEW CONSTRUCTION STATE EASEMENT RESERVATION ROAD
ROAD LENGTH = 365 FT. +/-, EASEMENT AREA = .5 +/- AC.

-WIDTH OF EASEMENTS: 30' EACH SIDE OF CENTERLINE
-STATIONING SHOWN AT SUBDIVISION AND SECTION LINE IS APPROXIMATE
-THE RIGHT-OF-WAY SHOWN IS INTENDED TO BE OVER AND ACROSS ALL PROPERTY AS SHOWN ON THIS MAP.
-LOCATION OF ROADS AND PROPERTY LINES BASED UPON DEPARTMENT OF NATURAL RESOURCES' CURRENT GIS INFORMATION

MAP PREPARED BY:_____ DATE:_____
BRAD PRUITT

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-4
Quitclaim Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

QUITCLAIM DEED
Kitsap County

Grantor: State of Washington, acting by and through the Department of Natural Resources.

Grantee: Kitsap County Parks and Recreation

Abbreviated
Legal Desc: (abbreviated legal description)

Tax Parcel #: (#)

THE GRANTOR, STATE OF WASHINGTON, acting by and through the Department of Natural Resources, for and in consideration of the conveyance by Kitsap County Parks and Recreation Department, of real property of equal value as authorized and approved by Resolution No. (#) adopted by the Board of Natural Resources, State of Washington, on (date 2009, hereby conveys and quitclaims to KITSAP COUNTY PARKS AND RECREATION DEPARTMENT, GRANTEE, all interest in the real property situated in Kitsap County, Washington, and described in Exhibit A, attached hereto, which by this reference is made a part hereof, subject to those matters and encumbrances described in the attached Exhibit B Easement Reservation (Easement Reservation), together with all after-acquired title of GRANTOR'S therein.

Grantor hereby reserves for itself, its successors and assigns, all rights and interests in minerals, excluding surface minerals such as rock, sand, and gravel, in perpetuity, as set forth in and

according to the terms and conditions of the Mineral Reservation attached hereto as Exhibit C, over and across those portions of said real property described on the attached Exhibit A.

The lands described in Exhibit A are subject to that certain statutory reserved right as set forth in RCW 79.36.370.

This Deed is executed and delivered pursuant to RCW 79.17.060 at the request of the Commissioner of Public Lands with the approval of the Board of Natural Resources, State of Washington.

WITNESS the Seal of the State of Washington, affixed this _____ day of _____, 20___.

_____
GOVERNOR

ATTEST: _____
SECRETARY OF STATE

Approved as to form this _____ day of _____, 20____.

_____
Assistant Attorney General

State Deed No. (#)
State Record of Deeds, Volume (#), Page (#).
Transaction File No. 86-(#)

Exhibits

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-5
Tenant Estoppel Statements

DATE

Kitsap Rifle and Revolver Club
Attn: Brad Smith, President
4900 Seabeck Hwy NW
Bremerton, WA 98312

Re: Consent to Lease Assignment & Lease Estoppel, DNR Lease No. 60-B068979

Dear Mr. Smith:

You were originally informed of the possibility of a land exchange between the State of Washington Department of Natural Resources (State) and the Kitsap County Parks and Recreation Department in February of 2009 that might involve the property that you currently lease from the State.

While an exchange agreement has not been finalized between the State and Kitsap County Parks and Recreation Department, at this time the State anticipates exchanging the property that you lease that is located in Section 36, Township 25 North, Range 01 West, W.M. in Kitsap County, Washington. This exchange is being referred to as the Newberry Hill Land Exchange 86-081861.

If this exchange should be finalized, the Kitsap County Parks and Recreation Department, would replace the State of Washington, Department of Natural Resources, as the Lessor for the above-mentioned land that you currently lease from the State. The State anticipates presenting the Newberry Hill Land Exchange proposal to the Board of Natural Resources for their consideration and approval at their June 2, 2008 meeting in Olympia, Washington.

Please sign and return this Letter of Consent to Lease Assignment together with the Lease Estoppel in the enclosed self-addressed stamped envelope, no later than April 30, 2009, if you consent to this assignment. A second copy has been enclosed solely for your records.

If you consent to this lease assignment, Kitsap County Parks and Recreation Department requires that you forward a current copy of your insurance certificate showing adequate insurance amounts as required under the terms and conditions of this lease prior to April 30, 2009. Your

insurance agent should be able to assist you with this by providing you with a copy of your insurance certificate. You should forward this insurance certificate to:

> Kitsap County Parks and Recreation Department, c/o Matthew Keough, 614 Division Street, MS-1, Port Orchard, WA 98366

In the event you choose not to sign and return this Letter to Consent to Lease Assignment and Lease Estoppel, then this letter shall serve as notice that the State is proceeding under Lease Clause 4.03 providing you with sixty (60) days' written notice for formal lease cancellation.

It reads as follows:

> *4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.*

If you choose to not consent to the assignment and the State successfully negotiates the exchange of the property, the lease will be cancelled effective. ALLOW 60 DAYS PLUS ALLOWANCE FOR MAILING

If you have any questions about the lease or this exchange, please contact Pat Hennessy at (360) 596-5149 or Brad Pruitt at (360) 584-5037.

Sincerely,

Randy Acker
South Puget Sound Region Manager

Encl: Self-Addressed Stamped Envelope

c: Dave Dennis, Forest Manager
File 60-B068979
Bob Winslow

Lease Assignment

I consent to the above referenced transfer and assignment of the lease to the Kitsap County Parks and Recreation Department.

KITSAP RIFLE AND REVOLVER CLUB

BRAD SMITH, PRESIDENT Date Signed

Lease Estoppel

60-B068979

The undersigned ("Tenant") is the tenant under that certain lease dated as of November 17, 2003, by and between Tenant and State of Washington, Department of Natural Resources, ("Landlord") (as amended and supplemented by the instruments attached below, the "Lease") pursuant to which Tenant has leased certain property located in Kitsap County, Washington as more particularly described therein (the "Property").

The undersigned understands that the Kitsap County Parks and Recreation Department, ("Exchanger") is acquiring the Landlord's interest in the Property and the Lease. Tenant further understands that Exchanger will be relying on the truth and accuracy of the matters described in this certificate in proceedings to complete the exchange. Based on such understandings, Tenant certifies to Exchanger.

A full and complete description of the Lease, including any and all amendments and modifications thereto is attached as Exhibit A and incorporated herein by this reference (the "Lease"). Said documents and instruments constitute the entire agreement between Landlord and Tenant with respect to the Property.

1. The Lease has not been amended, altered, modified or supplemented in any way.

2. The Lease has not been assigned, mortgaged, pledged or otherwise encumbered by Tenant, nor has all or any portion of the Property been sublet. Tenant has no notice of any prior assignment of the Lease or pledge of the Lease or rents as security by Landlord.

3. The Tenant has no option to renew the Lease or otherwise extend the term of the Lease. Tenant has no option or right of first refusal to purchase the Property.

4. The annual rent payable under the terms of the Lease is the same as shown in the Lease, or most recent rent adjustment letter.

5. Tenant has made no security or other deposits or prepaid rent under the Lease, except as follows:

Rent is paid annually and has been paid through February 27, 2010.

Tenant has no claim of offset or defense against either the rent or the Landlord, nor any other claim or counterclaim, including, without limitation, claims to concessions, "free" rent, rebates or abatements in rent, against Landlord except as set forth under the Lease.

6. There exists no improvements or personal property of the tenant on the property other than those listed on Exhibit 10-A to the Lease. Upon termination of the Lease for any reason, including expiration of its term, ownership and disposition of all such improvements or personal property shall be pursuant to the Lease.

7. There exists no defaults on the part of the Landlord under the Lease.

8. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangements under the bankruptcy laws of the United States or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

This certificate may be relied upon by Exchanger and, if the above-referenced acquisition closes, shall be binding upon the undersigned.

KITSAP RIFLE AND REVOLVER CLUB

_____

BRAD SMITH, PRESIDENT Date Signed

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT C
Continuing Forest Obligation

When Recorded Return to:

DNR – South Puget Region
950 Farman Avenue N
Enumclaw, WA 98022
Ph (360) 825-1631
Fx (360) 825-1672

Washington State Department of Natural Resources
Notice of Continuing Forest Land Obligation

Sellers and Buyers of land and perpetual timber rights have certain rights and responsibilities when the land or perpetual timber rights are sold or transferred. Where the land is subject to certain continuing forestland obligations including without limitation reforestation, Road Maintenance and Abandonment Plans and Harvest Strategies along Type 4 Waters in Eastern Washington, **prior to the sale or transfer of the land or perpetual timber rights the law requires that the following occur:** 1) the seller shall notify the buyer of the existence and nature of the obligations and 2) the buyer shall sign a Notice of Continuing Forestland Obligation Form indicating the buyer's knowledge of such obligation. At the time of sale or transfer of the land or perpetual timber rights the seller shall send the signed Form to the Department of Natural Resources (DNR). The Form may be obtained from your DNR region office.

If the seller fails to notify the buyer about the continuing forest land obligation referenced above, the seller shall pay the buyer's costs related to such continuing forest land obligation, (including all legal costs) incurred by the buyer in enforcing the continuing forestland obligation against the seller. Failure by the seller to send the required notice to the DNR at the time of sale shall be prima facie evidence, in an action by the buyer against the seller for costs related to continuing forest land obligation, that the seller did not notify the buyer of the continuing forest land obligation prior to sale. See RCW 76.09.070, RCW 76.09.390 and WAC 222-20-055.

There are also other types of continuing forestland obligations subject to certain requirements, including without limitation Small Forest Landowner Forest Riparian Easements and Landowner Landscape Plans. For more information contact the DNR Region Office.

CONTINUING OBLIGATION/S

Reforestation (RCW 76.09.070)

_____ Obligation exists on the property identified below and relates to the following Forest Practice Application/Notification (FPA/N) Numbers (list all that apply, add attachment if necessary).

_____ No Reforestation obligation exists on the property.

Road Maintenance and Abandonment Plan (WAC 222-24-051)

_____ Obligation exists on property identified below and relates to the following FPA/N numbers and/or Road Maintenance and Abandonment Plan Numbers (list all that apply, add attachment if necessary).

_____ Road Maintenance and Abandonment Plan is required, but not yet filed.

_____ No Road Maintenance and Abandonment Plan obligation exists on the property.

Harvest Strategy along Type 4 Waters in Eastern Washington (WAC 222-30-022 (2)(b))

_____ Obligation exists on the property identified below and relates to the following FPA/N Numbers (list all that apply, add attachment if necessary).

_____ No Harvest Strategy obligation exists on the property.

PROPERTY IDENTIFICATION

Land/Rights Sold/Transferred (circle one): *Land and Timber* *Land* *Perpetual Timber Rights*

Date that the Land/Rights was/were Sold/Transferred (month/day/year): _____

County/ies: _____

DNR Region/s: _____

Legal Description of the Lands/Rights being Sold/Transferred (include county parcel number/s, add attachment if necessary): _____

_____

_____

_____

SELLER:		**BUYER:**	
Signature:	_____	Signature:	_____
Date:	_____	Date:	_____
Print name:	_____	Print name:	_____
Title:	_____	Title:	_____
Address:	_____	Address:	_____
Phone:	_____	Phone:	_____

NOTE TO SELLER:
At the time of sale or transfer of the property or the perpetual timber rights:
The seller is responsible for delivering (by certified mail or in person) the SIGNED ORIGINAL to the DNR Region Office in which the property is located. However, if you choose to also have this form recorded by the county, the original is delivered to the county and a copy delivered (by certified mail or in person) to the DNR Region Office.

FOR DEPARTMENTAL USE ONLY

Notice of Continuing Forestland Obligation #: _____ Date Received: _____

Region: _____ **Received by:** _____

FORM DNR QQ-42 (July 18, 2002)

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
EXHIBIT D
DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

Record at the request of:
Kitsap County
Facilities, Parks and Recreation
614 Division Street, MS 1
Port Orchard, WA 98366

PRRKS & RECREATION 200703300433
Deed Rec Fee: $ 36.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 1 of 4

EXCISE TAX EXEMPT MAR 30 2007

Section 1 TS 24N Range 1W
GOV 8 see additional page
assessors property tax parcel
012401-2-033-1005
see attached pg. 4

DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

The Grantor, **Kitsap County** for and in consideration of monies coming in whole or in part from the Washington Wildlife and Recreation Program of the State of Washington Interagency Committee for Outdoor Recreation and in fulfillment of terms of the Project Agreement identified below, conveys and grants to the **State of Washington (Grantee)** individually and as the representative of all the people of the State, the right to use the real property described below forever for conservation purposes.

Those purposes are described in the Project Agreement entered into between the Grantor and the State of Washington through the Interagency Committee for Outdoor Recreation entitled, Central Kitsap Greenway (Port Blakely Tree Farm), Project Number 04-1457A. The application and supporting materials are on file with the Grantor and the State in connection with the Project Agreement.

The Grantor will not make or permit to be made any use of the real property described in this deed, or any part of it, which is inconsistent with the right to use for conservation purposes herein granted unless the State, through the Interagency Committee for Outdoor Recreation or its successors, consents to the inconsistent use,which consent shall be granted only upon conditions which will ensure that other conservation land of at least equal fair market value at the time of change of use and of as nearly as feasible equivalent qualities, characteristics and location for conservation purposes for which state assistance was originally granted will be substituted in the manner provided in RCW 79A.25.100 for marine recreation land, whether or not the real property covered by this deed is marine recreation land. RCW 79A.25.100 reads as follows:

"Marine recreation land with respect to which money has been expended under RCW 43.99.080 (recodified as RCW 79A.25.080) shall not, without the approval of the committee, be converted to uses other than those for which such expenditure was originally approved. The committee shall only approve any such conversion upon conditions which will assure the substitution of other marine recreation land of at least equal fair market value at the time of conversion and of as nearly as feasible equivalent usefulness and location."

The real property covered by this deed is described as follows:

CENTRAL KITSAP GREENWAY (PORT BLAKELY TREE FARM):
PARCEL A: The West Half of the Northwest Quarter; the Southwest Quarter; all in Section 1, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;

Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL B: That portion of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington, described as follows:

Beginning at the Northeast corner of Government Lot 8 (being also the East Quarter corner of said Section);
Thence South along the East line of said Section a distance of 400 feet;
Thence West to the East line of the existing 60-foot wide county road commonly known as Northwest Wildcat Lake Road;
Thence Northerly along the East line of said road to the North line of Government Lot 8;
Thence East along said line to the point of beginning.

Also, the South Half of the Southeast Quarter of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M.;
Except that portion thereof lying within the boundaries of any existing county road.

PARCEL C: The Northeast Quarter of the Northeast Quarter of Section 11, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL D: The Northwest Quarter of the Northwest Quarter of Section 12, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except any portion thereof lying within the boundaries of any existing county road.

This deed shall in no way modify or extinguish the functions of the Grantor under the Project Agreement, including the Grantor's functions to operate and maintain the land as set out in the Project Agreement.

Dated this 26th day of March, 2007

By: _____

Title: Chair of Board of Commissioners

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 2 of 4

ATTEST:

STATE OF WASHINGTON)

COUNTY OF KITSAP)

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:18 PM
Karen Flynn, Kitsap Co Auditor
Page: 3 of 4

THIS IS TO CERTIFY that on this 26th day of March 2007, before me the undersigned Notary Public in and for the 'State of Washington, duly commissioned and sworn, personally appeared

Chris Endresen to me. This individual is known to be the Chair of the Board of Co. Commissioners of the Board of County Commissioners that executed the foregoing deed and acknowledged to me that they signed and sealed the same as the free and voluntary act and deed of said _____ and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said _____ WITNESS my hand and official seal the day and year in this certificate first above written.

Becky A. Froelich Becky A. Froelich
Notary Public in and for the State of Washington, residing in Kitsap County. My commission expires 10/7/2010.

KITSAP TRACT #1:

L/C 6110

012401-2-033-1005	012401-2-034-1004	012401-2-035-1003	012401-2-036-1002
012401-3-001-1001	012401-3-002-1000	012401-3-003-1009	012401-3-004-1008
012401-3-005-1007	012401-3-006-1006	012401-3-007-1005	012401-3-008-1004
022401-4-025-1000	112401-1-016-1006	112401-1-017-1005	112401-1-018-1004
112401-1-019-1003	112401-3-027-1009	112401-3-028-1008	112401-4-001-1007
112401-4-002-1006	112401-4-003-1005	112401-4-004-1004	112401-4-005-1003
112401-4-006-1002	112401-4-007-1001	112401-4-008-1000	112401-3-029-1007
112401-3-030-1004	122401-2-007-1004	122401-2-008-1003	022401-4-002-1007

200404190409
Page: 2 of 8
04/19/2004 04:07P
FIRST AMERICAN TITLE INS DEED $28.00 Kitsap Co, WA

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 36.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 4 of 4

RESOLUTION NO. _____ 2009

A Resolution Authorizing the Chair of the Kitsap County Board of County Commissioners to sign a Purchase/Sale Agreement with the selected qualified purchaser of a 72 acre parcel of land that is currently under a special-use lease held by the State Department of Natural Resources, proposed for transfer to Kitsap County.

WHEREAS, the State Department of Natural Resources is the owner of certain real property described in Exhibit A proposed for transfer to Kitsap County, and,

WHEREAS, the State Department of Natural Resources intends to assign a special use lease, Exhibit B, to Kitsap County affecting a 72 acre parcel of property proposed for transfer to Kitsap County; and,

WHEREAS, the County has decided that, instead of retaining this special-use parcel, to sell the parcel with conditions that would secure the operations of a non-profit shooting range that is open to the public and that is in a position to steward public funds for firearm recreation; and,

WHEREAS, the sale of this parcel is scheduled to occur simultaneously with the proposed Newberry Hill Land Exchange through a single Escrow session in early June, 2009; and,

WHEREAS, this sale is still under negotiation and it would be beneficial to Kitsap County to allow the Chair of the Board of County Commissioners to sign the final purchase/sale agreement; and

WHEREAS, the next Board of County Commissioner's public meeting is not scheduled until June 8, 2009 and this sale areement needs to be finalized during the first week of June 2009; and

NOW, THEREFORE, be it resolved by the Kitsap County Board of Commissioners that the Chair of the Board of County Commissioners be authorized to enter into a lease agreement with the U.S. Lighthouse Association.

ADOPTED THIS ____ DAY OF MAY 2009.
KITSAP COUNTY BOARD OF
COMMISSIONERS
KITSAP COUNTY, WASHINGTON

_____
Charlotte Garrido, Chair

Deleted: ¶
. . . . . By:_____
_____¶
¶
. . . . . Title:_____
_____¶

Steve Bauer, Commissioner

Josh Brown, Commissioner

Don Burger

From: Glenn Maiers [gmaiers@[redacted]]
Sent: Wednesday, May 06, 2009 9:52 PM
To: Josh W. Brown
Cc: Charlotte Garrido; Kevin M. Howell; Steve Bauer
Subject: Re: KRRC doubts

Josh,

When I attended the Parks & Recreation meeting last month, Mr. Faver seemed bent on selling the land outright to KRRC, never mind the dubious business dealings going on out there. Mr. Faver stated his major concern was lead abatement and that as soon as the county inked the land swap with the state, the lead issue became the county's problem. But, if the county quick deeded the land over to KRRC, then it would become KRRC's problem. This does not sound like a good reason to sell 72 acres to KRRC let alone sell them an additonal 60 acres, too.

And if KRRC indeed has 10,000 visitors annually, that is $100,000 of income.
Never mind any money derived from membership dues or the military's use of the facilities. Wouldn't the county do better renting the land to KRRC at say $50,000 per year rather than selling it? The county gains income and the club still has its' home. Mr. Faver's lead concerns could be covered with a clause in the new KRRC lease. If this land is to be sold legally, as you have previously stated, shouldn't it go out for public bids?

I guess my major concern remains that the taxpayers will wind up subsidizing Mr. Carter's personal businesses which utilize that property. The DNR lease manager, Mr. Hennessey, agreed with me that the current state lease should be investigated due to Mr. Carter's National Firearms Institute being headquartered at that property (which was leased to a not for profit club) but, since the state's priority is this land swap there will be no investigation by state lawyers. KRRC has continually touted their not for profit status yet when asked, Mr. Carter has refused to answer any questions about his various companies and their monetary relationships with KRRC. Mr.
Carter has a personal vested interest in this acquisition by KRRC. Between this and his ongoing illegal weapon charge (which occurred at the current KRRC range, no less), it is difficult to understand why the county wants to sell this property so quickly to KRRC only.

Yours,
Glenn

----- Original Message -----
From: "Josh Brown" <JWbrown@co.kitsap.wa.us>
To: "Glenn Maiers" <gmaiers@[redacted]>
Cc: "Dana Daniels" <DDaniels@co.kitsap.wa.us>
Sent: Monday, April 13, 2009 6:46 PM
Subject: Re: POSSIBLE SPAM! SCORE = 6.5 NOT TOTALLY FOR KRRC

Glenn,

I appreciate your email and letter. As you can see in the subject line, it was originally blocked by y spam filter---hence my later than usual reply.
Your letter brings up several good points. Our staff is looking into many of the issues surrounding a lease or possible sale of land to KRRC.
Whatever course we finally pursue, we will follow all appropriate laws and it will be an open process. Thanks again for your thoughts. Best, Josh

Josh Brown

Kitsap County Commissioner, District #3
614 Division Street, MS - #4
Port Orchard, WA 98366-4676
P: (360) 337-7146
F: (360) 337-4632
jwbrown@co.kitsap.wa.us
www.kitsapgov.com

>>> "Glenn Maiers" <gmaiers@[redacted]> 4/8/2009 10:09 PM >>>
Dear Kitsap County Commissioners,

Please find enclosed the email I sent to each of you back on March 15, 2009.
Perhaps you mistakenly lumped it in with all of the other emails you received about KRRC thinking mine also extolled the virtues of the organization. I am not enthralled with KRRC's leadership and I reiterate from my previous email--who receives the money the Navy contractor pays to use the range on a monthly basis? Is it the club or NFI/Marcus Carter?
Will KRRC be permitted to carry this arrangement over when the county takes over AND pay the same price they currently pay the state? Ditto for any other money NFI derives from using the facilities.

I look forward to your replies.

Yours,
Glenn Maiers

Don Burger

From: Mark Abernathy [Mabernat@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 8:41 AM
To: Matt Keough
Cc: Kevin M. Howell
Subject: Indemnity agreement-KRRC
Attachments: Indemnification-KRRC.doc

Matt-

I response to your call yesterday regarding an indemnification agreement for the property transfer to KRRC I'm providing this first draft. It will likely require some modification to be compatible with the final agreement. I have not seen that document yet.

Kevin- I would appreciate any comments, deletions, or additions.

Mark Abernathy, PE, ARM
Kitsap County Risk Manager
614 Division St. MS-7
Port Orchard, WA 98366
PHONE: (360) 337-4408
FAX: (360) 337-4505

Confidentiality:
This message and any attachments are for the addressee only and may contain privileged or confidential information. If you have received this in error, please notify me immediately and permanently delete the message and any prints or other copies.

Indemnification.

KRRC for and on behalf of itself and its heirs, successors and assigns, and each subsequent owner of the Property hereby releases and agrees to hold harmless, indemnify, and defend Kitsap County, its officers, officials, employees and agents from and against any and all liabilities, penalties, fines, charges, costs, losses, damages, expenses, causes of action, claims, demands, orders, judgments, or administrative actions, including, without limitation, reasonable attorneys' fees, arising from or in any way connected with (1) injury to or the death of any person, or physical damage to any property, resulting from any act, activity, omission, condition or other matter related to or occurring on or about the Property, regardless of cause, unless due solely to the gross negligence of any of the Indemnified Parties; (2) the violation or alleged violation of, or other failure to comply with, any state, federal, or local law, regulation, or requirement, including, without limitation, CERCLA and MTCA, by any person in any way affecting, involving, or relating to the Property; (3) the presence or release in, on, from, or about the Property, at any time, past or present, of any substance now or hereafter defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirement as hazardous, toxic, polluting, or otherwise contaminating to the air, water, or soil, or any way harmful or threatening to human health or the environment.

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 9:11 AM
To: Shelley E. Kneip
Subject: FW: Indemnity agreement-KRRC
Attachments: Indemnification-KRRC.doc

-----Original Message-----
From: Mark Abernathy <mabernat@co.kitsap.wa.us>
Sent: Thursday, May 07, 2009 8:41 AM
To: Matt Keough <MKeough@co.kitsap.wa.us>
Cc: Kevin Howell <KMHowell@co.kitsap.wa.us>
Subject: Indemnity agreement-KRRC

Matt-

I response to your call yesterday regarding an indemnification agreement for the property transfer to KRRC I'm providing this first draft. It will likely require some modification to be compatible with the final agreement. I have not seen that document yet.

Kevin- [redacted].

Mark Abernathy, PE, ARM
Kitsap County Risk Manager
614 Division St. MS-7
Port Orchard, WA 98366
PHONE: (360) 337-4408
FAX: (360) 337-4505

Confidentiality:
This message and any attachments are for the addressee only and may contain privileged or confidential information. If you have received this in error, please notify me immediately and permanently delete the message and any prints or other copies.

Indemnification.

[redacted]

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 9:15 AM
To: Kevin M. Howell; Matt Keough
Cc: Chip Faver
Subject: Re: Resolution
Attachments: Resolution re Sale to KCRR.doc

[redacted].

Shelley E. Kneip, Senior Deputy
Kitsap County Prosecuting Attorney's Office
614 Division St. MS 35A
Port Orchard, WA 98366
Office: (360) 337-4992
Fax: (360) 337-7083

Confidentiality Notice:
This e-mail may contain legally privileged confidential information. The e-mail and the information it contains are solely for the use of the addressee(s) named above. If you are not the intended recipient, any disclosure, copying, distribution or other use is strictly prohibited. If you have received this e-mail in error, please notify us by return e-mail and delete it from your computer. Thank you.

>>> Matt Keough 5/6/2009 5:39 PM >>>
Shelley,

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Shelley Kneip 5/6/2009 3:31 PM >>>

[redacted]

KITSAP COUNTY RESOLUTION NO. ____

A Resolution to Assign and Convey Certain Real Estate

WHEREAS, Kitsap County (County) has been negotiating with the State Department of Natural Resources (DNR) regarding a land exchange in the Central Kitsap area; and

WHEREAS, the County has determined that the land transfer with DNR is in the public interest as it will provide contiguous county ownership that will enable more efficient and effective local management and enhanced park, recreational and open space facilities for County residents; and

WHEREAS, part of the property that DNR intends to transfer to Kitsap County includes a portion of property that is currently leased to the Kitsap Rifle and Revolver Club (KRCC) as a shooting range; and

WHEREAS, the State of Washington has recognized a need to preserve shooting ranges that provide public access and access by law enforcement; and use for firearm and hunter safety education classes; and

WHEREAS, KRRC currently meets the stated needs for Kitsap County by its operation as a private nonprofit facility; and

WHEREAS, the County finds that it is in the public interest for firearm safety as well as in the best economic interest of the County to provide that KRRC continue to operate with full control over the property on which it is located; and

WHEREAS, the County has had the KRRC shooting range property appraised, and the appraisal of the property as it is currently used and will be continued in use is less than $2,500; and

WHEREAS, pursuant to RCW 36.34.020, Kitsap County may dispose of the KRRC property without a public bidding process.

NOW THEREFORE, be it resolved:

The Board of County Commissioners hereby authorizes the assignment and sale of the portion of the property acquired under the DNR/County land exchange, which is more specifically described in Exhibit A, attached hereto and incorporated herein, to the Kitsap Rifle and Revolver Club. Consideration by the KRRC shall include, but not be limited to, covenants to maintain and operate the property as a shooting range with public access, retention of certain easements by the County, other environmental considerations, and assumption of liability for the property and the use of the property. The conveyance to KRRC shall take place as soon as is practicable after the property is conveyed to Kitsap County by DNR.

DATED this _____ day of _____, 2009.

BOARD OF COUNTY COMMISSIONERS
KITSAP COUNTY, WASHINGTON

_____
CHARLOTTE GARRIDO, Chair

ATTEST:

_____
STEVE BAUER, Commissioner

_____
Opal Robertson
Clerk of the Board

_____
JOSH BROWN, Commissioner

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 9:25 AM
To: Kevin M. Howell
Subject: Revised Resolution
Attachments: Resolution re Sale to KCRR 2.doc

Privileged:

[redacted]

[redacted]

[redacted]

KITSAP COUNTY RESOLUTION NO. ____

A Resolution to Assign and Convey Certain Real Estate

WHEREAS, Kitsap County (County) has been negotiating with the State Department of Natural Resources (DNR) regarding a land exchange in the Central Kitsap area ("the Newberry Hill Land Exchange"); and

WHEREAS, the County has determined that the land transfer with DNR is in the public interest as it will provide contiguous county ownership that will enable more efficient and effective local management and enhanced park, recreational and open space facilities for County residents; and

WHEREAS, a portion of the property DNR intends to transfer to Kitsap County will include the assignment of a lease for a portion of property currently leased to the Kitsap Rifle and Revolver Club (KRCC) for use as a shooting range; and

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Deleted: that

Deleted: s

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WHEREAS, the State of Washington has recognized a need to preserve shooting ranges that provide public access and access by law enforcement; and use for firearm and hunter safety education classes; and

WHEREAS, KRRC currently meets the stated needs for Kitsap County by its operation as a private nonprofit facility; and

WHEREAS, the County finds that it is in the public interest for firearm safety as well as in the best economic interest of the County to provide that KRRC continue to operate with full control over the property on which it is located; and

WHEREAS, the County has had the KRRC shooting range property appraised, and the appraisal of the property as it is currently used and will be continued in use is less than $2,500; and

WHEREAS, pursuant to RCW 36.34.020, Kitsap County may dispose of the KRRC property without a public bidding process.

NOW THEREFORE, be it resolved:

The Board of County Commissioners hereby authorizes the assignment and sale of the portion of the property acquired under the DNR/County land exchange, which is more specifically described in Exhibit A, attached hereto and incorporated herein, to the Kitsap Rifle and Revolver Club. Consideration by the KRRC shall include, but not be limited to, covenants to maintain and operate the property as a shooting range with public access, retention of certain easements by the County, other environmental considerations, and assumption of liability for the property and the use of the property.

BE IT FURTHER RESOLVED:

Formatted: Indent: First line: 0.5"

The conveyance to KRRC shall take place as soon as is practicable after the property is conveyed to Kitsap County by DNR. The Chair of the Board of the County Commissioners is hereby authorized to sign the necessary documents required to convey the property to the KRRC.

DATED this _____ day of _____, 2009.

BOARD OF COUNTY COMMISSIONERS
KITSAP COUNTY, WASHINGTON

_____
CHARLOTTE GARRIDO, Chair

ATTEST:

_____
STEVE BAUER, Commissioner

_____
Opal Robertson
Clerk of the Board

_____
JOSH BROWN, Commissioner

Don Burger

From: Opal Robertson [Oroberts@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 9:52 AM
To: Kevin M. Howell; Shelley E. Kneip; Matt Keough
Cc: Nancy B Grennan; Rhiannon Fernandez; Chip Faver
Subject: Re: Resolution

All,

[redacted]

I will be leaving at 1:30 pm today and would like to have the agenda finalized. I need to send to BKAT and Rhiannon needs to post to the web.

Thanks for your help,

Opal

>>> Matt Keough 5/6/2009 5:39 PM >>>
Shelley,

[redacted]

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Shelley Kneip 5/6/2009 3:31 PM >>>

[redacted]

[redacted]

Don Burger

From: Opal Robertson [Oroberts@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 9:52 AM
To: Kevin M. Howell; Shelley E. Kneip; Matt Keough
Cc: Nancy Buonanno-Grennan; Rhiannon Fernandez; Chip Faver
Subject: Re: Resolution

All,

[redacted]

I will be leaving at 1:30 pm today and would like to have the agenda finalized. I need to send to BKAT and Rhiannon needs to post to the web.

Thanks for your help,

Opal

>>> Matt Keough 5/6/2009 5:39 PM >>>
Shelley,

[redacted]

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Shelley Kneip 5/6/2009 3:31 PM >>>

[redacted]

[redacted]

Don Burger

From: Matt Keough [MKeough@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 10:52 AM
To: Terri Lyman
Subject: Fwd: Re: Resolution

THE AGENDA ITEMS APPEAR CORRECT BUT IF YOU SEE MY NOTES BELOW, THE MATERIALS ARE NOT ALL IN OR PERFECTED. Shelley has the latest resolution version for the sale of gun club authorization. I don't believe anyone has created a AGENDA REVIEW SHEET for the agreeement - that would be a help, Terri, if you can give it a try.

THANKS
MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Opal Robertson 5/7/2009 9:51 AM >>>
All,

[redacted]

I will be leaving at 1:30 pm today and would like to have the agenda finalized. I need to send to BKAT and Rhiannon needs to post to the web.

Thanks for your help,

Opal

>>> Matt Keough 5/6/2009 5:39 PM >>>
Shelley,

[redacted]

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> Shelley Kneip 5/6/2009 3:31 PM >>>

[redacted]

Don Burger

From: Kevin M. Howell [KMHowell@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 11:26 AM
To: cathiea@landtitleco.net
Cc: Nancy Buonanno-Grennan; Chip Faver; Josh Brown; Shelley E. Kneip; Tracey L. Hamilton-Oril; Matt Keough
Subject: Fwd: Final Newberry Hill Exchange Agreement
Attachments: Final Exchange Agreement sent to KC 050609.doc

Hi Cathie.

It would appear that we are now ready to proceed with the county/DNR land exchange with the spin off of the shooting range property to the Kitsap Rifle and Revolver Club.

Attached is the latest draft of the exchange agreement for your reference. I have skimmed but not fully reviewed it but will do so promptly. It seemed best to get a copy to you without delay.

I will also forward a draft resolution that we will ask the county commissioners to execute at next Monday's public meeting.

Please give some thought to a laundry list of instructions that you will want for your records. I should have drafts of the assignment and conveyance agreement between Kitsap and KRRC as well as a bargain and sale deed with covenants for your review by Friday.

Thanks for your continuing assistance.

Kevin M. Howell
Deputy Prosecuting Attorney for Kitsap County
Civil Division
614 Division Street, MS-35A
Port Orchard, WA 98366
Email: kmhowell@co.kitsap.wa.us
Phone: (360) 337-7268
Fax: (360) 337-7083

>>> Matt Keough 5/6/2009 4:06 PM >>>
COST REIMBURSEMENT CLAUSE has the County obliged for transaction costs that, all told, are estimated total our grant reimbursement amount for the original Central Kitsap Greenway grant, $75,000. "Transaction costs" include a $13,000 cash payment to DNR for the property repairs needed to be in compliance with Forest Practices (RMAP). DNR is NOT expecting these funds at closing - but after the original RCO grant closes at the end of June.

Special Use Lease is to be assigned to us. KRRC has received and processed ESTOPPEL.

Need to also focus in on the Disposal of land process - with a deed or with a PSA - with considerations and covenants.

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357

mkeough@co.kitsap.wa.us

>>> "NEFF, CINDY (DNR)" <CINDY.NEFF@dnr.wa.gov> 5/6/2009 1:41 PM >>>
1:40 pm, Wed, May 6, 2009

Hi Matt,

Here's the final Newberry Hill Exchange Agreement.

Cindy Neff
Asset Planning & Transactions
Dept. of Natural Resources
1111 Washington Ste SE
PO Box 47014, Olympia, WA 98504
360-902-1009 (office)
360-902-1789 (fax)
cindy.neff@dnr.wa.gov

WASHINGTON STATE DEPARTMENT OF
Natural Resources

NEWBERRY HILL EXCHANGE AGREEMENT

DNR Exchange No. 86- 081861

THIS AGREEMENT is made as of the ____ day of _____, 20__, by and between the STATE OF WASHINGTON, acting by and through the Department of Natural Resources (hereinafter referred to as "State") and Kitsap County Parks and Recreation Department (hereinafter referred to as "Exchanger").

WHEREAS, Exchanger is the owner of certain real property ("Exchange Property") located in Kitsap County, Washington; and

WHEREAS, State is the owner of certain real property ("State Property") located in Kitsap County, Washington; and

WHEREAS, Exchanger desires to acquire the State Property, and State desires to acquire the Exchange Property;

NOW, THEREFORE, in exchange for the mutual promises and covenants herein contained, and other good and valuable consideration, the mutual receipt and sufficiency of which is hereby acknowledged by Exchanger and State, it is agreed as follows:

SECTION 1 EXCHANGE PROPERTY

1.1 Conveyance. Exchanger shall convey and exchange to State, and State shall accept from Exchanger, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit A attached hereto and incorporated by this reference herein, together with the following:

(i) All rights, tenements, hereditaments, easements, associated tidelands, and appurtenances, including, but not limited to, any rights, title and interest of Exchanger in and to all trees, crops, oil, gas, sand, gravel, water rights, or mineral rights;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way;

(iii) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of Exchanger with respect to the property, and an assignment of all representations and warranties made therein to Exchanger.

SECTION 2 STATE PROPERTY

2.1 Conveyance. State shall convey and exchange to Exchanger, and Exchanger shall accept from State, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit B attached hereto and incorporated by this reference herein together with the following

(i) All rights, tenements, hereditaments, easements, and appurtenances, including, but not limited to, any rights, title and interest of State in and to all trees, crops, rock, sand, gravel, or water rights subject to the reservations set forth in 2.2 and 2.3;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way, and except as limited by the easement reserved under Section 2.3;

(iv) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of State with respect to the property, and an assignment of all representations and warranties made therein to State.

2.2 Mineral Reservation. Pursuant to RCW 79.36.620, State reserves minerals in perpetuity for the State Property legally described in Exhibit B-1, said reservation to be in the form set forth on the Quit Claim Deed attached hereto as Exhibit B-4.

2.3 Easement Reservation. State reserves access over and across parcels S-1 and S-2, legally described on Exhibit B-2, for all purposes, said reservation to be in the form set forth in Exhibit B-3, unless otherwise agreed to by State in writing.

SECTION 3. EXCHANGE VALUE

3.1 Exchange Property Value. Based upon its evaluation of the value of the Exchange Property pursuant to RCW 79.17.010, the Department will request the Board of Natural Resources to establish the Exchange Property Value at Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00). The Exchange Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the Exchange Property at less than Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

3.2 Cash and Services Value. Pursuant to the authority granted to State under RCW 79.17.010 during the biennium ending June 30, 2009, Exchanger shall pay cash to the State in the amount of up to Fifty Thousand Dollars ($50,000.00) to reimburse State for its actual administrative costs incurred to facilitate this exchange, and Thirteen Thousand Dollars ($13,000.00) to reimburse State for Road Maintenance and Abandonment costs associated with the Exchange Property. Said cash amount shall be paid by Exchanger to Escrow Company prior to closing. This cost reimbursement shall be deposited into the resource management cost account or the forest development account upon closing, to be determined by the proportion of costs incurred by the trusts benefitting from the respective accounts. In the event the exchange fails to close because either party exercises a right to terminate for failure of a contingency as provided herein, this amount shall be refunded to Exchanger.

3.3 State Property Value. The Department will request the Board of Natural Resources to establish the State Property Value at Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00). The State Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the State Property Value at less than Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

SECTION 4 CLOSING

4.1 Closing Date. "Closing," "Closing Date" or "Date of Closing" as those terms are used herein, shall mean the date upon which all documents are recorded and monies paid to complete the exchange contemplated herein. The Date of Closing shall be as soon as practicable to

facilitate an orderly closing but no later than June 25, 2009 unless otherwise agreed in writing by the parties.

4.2 Escrow. This transaction shall be closed in escrow at Land Title Company of Kitsap County, 9657 Levin Road N.W., Suite 100, Silverdale, WA 98383 ("Escrow Company") which shall be arranged by State within ten (10) days of execution of this Agreement. The parties shall deposit the necessary documents and funds in escrow sufficiently in advance of the Closing Date to facilitate an orderly closing. State and Exchanger shall each pay one-half of the Escrow Company's fee.

SECTION 5 CONVEYANCE, TITLE INSURANCE AND POSSESSION.

5.1 Possession. The parties shall be entitled to possession of the property on the Closing Date, and each party shall have a right of entry pursuant to Section 6 below.

5.2 Form of Deed. On the Closing Date, Exchanger shall convey title to the Exchange Property to State by Statutory Warranty Deed substantially in form as set forth in Exhibit A-1, and State shall convey the State Property to Exchanger by Quitclaim Deed substantially in form as set forth in Exhibit B-4.

5.3 Title Insurance. This Agreement is conditioned upon each party accepting title as set forth below.

(a) State has obtained a preliminary commitment for an ALTA Owner's Standard Coverage Policy of title insurance (hereafter "Preliminary Commitment"). Exchanger agrees to pay the cost of title insurance for the Exchange Property and warrants that Exchanger's Title to the Exchange Property to be good, marketable and insurable subject only to such exceptions approved by State.

(b) State shall not furnish insurance insuring title to the State Property. Exchanger shall be responsible for procuring title insurance for the State Property at Exchanger's sole expense. Exchanger's sole remedy for title defects shall be termination of this Agreement as set forth below. To exercise the termination rights set forth in subsection (d) Exchanger must obtain a Preliminary Commitment of title insurance within fifteen (15) days after the date of this Agreement.

(c) Within thirty (30) days of its receipt of the Preliminary Commitment, or the Date of this Agreement whichever is later, each party must notify the other in writing of any exceptions thereto which are wholly or conditionally acceptable (hereafter "Title Notice"). Following giving of Title Notice, if additional encumbrances affecting either property arise, the party acquiring the affected property shall have twenty (20) days from receipt thereof to review and approve these additional items. Failure to so approve in

writing any exception to title shown in the Preliminary Commitment or arising thereafter shall be deemed to be a disapproval of such exception.

(d) State (without obligation) and Exchanger (by the exercise of its reasonable efforts and with due diligence) shall, prior to or at the Closing Date, at its sole cost and expense, undertake to remove, eliminate or modify any exceptions not acceptable to the other party; provided that in the event Exchanger or State is unable to cure such objections, Exchanger or State shall so advise the other party in writing within five (5) days following the expiration of the review period described in Section 5.3(c) above and thereafter the affected party shall have ten (10) days within which to make an election to accept such encumbrance or terminate and cancel this Agreement. This election shall be made in writing to the other party within said ten (10) day period. A failure to give such written election within said ten (10) day period shall be deemed an election by said party to reject the status of the title and to terminate this Agreement. Upon such termination, the rights and obligations of the parties shall terminate and any monies deposited by a party pursuant to this Agreement shall be returned to the party depositing the same.

(e) On the Closing Date, Exchanger shall cause the Title Company to insure title to the Exchange Property in the name of State in the amount of State's appraised value of Exchange Property, subject only to the exceptions contained in the ALTA Owner's Policy Form, and the exceptions set forth in the Preliminary Commitment which are accepted by State.

SECTION 6 RIGHTS AFTER ACCEPTANCE

6.1 Inspection. After the Date of this Agreement, each party shall permit the other and/or its designated agents to enter upon the property at all reasonable times for the purpose of conducting environmental assessments and investigating the property and the physical condition thereof, including, without limitation, soil, water, and air conditions, and the condition of improvements, if any, upon the property. Inspections by either party shall not be construed as estopping actions upon any warranty made herein.

6.2 Studies.

(a) Studies. Each party shall have the right to prepare, or have prepared, appraisals, market and engineering studies, soils tests, feasibility studies, surveys, resurveys or survey updates, environmental investigations and such other tests, studies or investigations (all of which are collectively referred to as the " Studies") with respect to the property to be received. Each party shall be solely responsible for costs of all the Studies obtained by that party.

(b) Termination Rights. If a party determines, at its sole discretion, that the Studies indicate the property to be received is not suitable for the intended use by that party or the property presents risk of liability unacceptable to that party, that party may terminate this

Agreement without further obligation. Neither party makes any warranty as to the accuracy of the Studies, and no studies or information have been relied upon by either party unless expressly identified in this Agreement.

6.3 Subsequent Acts. Between the Date of this Agreement and the Closing Date, each party shall maintain their property and keep it in condition at least as good as on the Date of this Agreement. Neither party shall remove, or allow to be removed, any timber, harvestable crop, improvements, minerals, sand, gravel, or other item from the property after the Date of this Agreement without prior, written approval by the other party.

SECTION 7 CONTINGENCIES

7.1 State Approval. This Agreement is contingent on approval by the Board of Natural Resources, in its sole discretion, to determine this exchange is for one or more of the purposes enumerated in RCW 79.17.010(1), acting in the best interests of the trusts, and further subject to the Board's confirming this Agreement involves an exchange of equal based upon the Exchange Property Value and State Property Value. If, on or before the thirtieth (30th) day after the Date of this Agreement, State has not delivered to Exchanger a written notice of the Board of Natural Resources' approval (Approval Notice) to consummate the acquisition of the Exchange Property, then State or Exchanger may terminate this Agreement by giving written notice of termination (Termination Notice) to the other party. The right of termination shall not be effective if Exchanger receives the Approval Notice prior to Exchanger sending the Termination Notice.

7.2

7.2.1 Exchanger's Conditions. The obligations of the Exchanger under this Agreement are subject to and contingent upon the following:

a) The conveyance by State to Exchanger of the State Property by Quitclaim Deed, with mineral rights reservations, as described in Section 5.

7.2.2 State's Conditions. The obligations of State under this Agreement are subject to and contingent upon the following:

a) The conveyance by Exchanger to State of the Exchange Property by Statutory Warranty Deed, as described in Section 5; and

b) The termination of the conservation easement attached hereto as Exhibit D, pursuant to the authority granted therein for the substitution of other conservation land, in a manner satisfactory to State.

7.2.3 Mutual Conditions. The obligations of both Exchanger and State under this Agreement are further subject to and contingent upon the following:

(a) The truth and accuracy as of the Closing Date of all representations and warranties set forth in this Agreement or in any instrument or document delivered hereunder.

(b) The delivery on or prior to the Closing Date of all documents and instruments required by the terms of this Agreement.
(c) The performance on or prior to Closing of all acts required under this Agreement.
(d) The absence at Closing of any violation of any federal, state or local law, rule, regulation or ordinance affecting the use, occupancy or condition of the Exchange or State Property.
(e) The absence at Closing of any failure to comply with the order of any court, government authority or agency pertaining to the Exchange or State Property or the use, occupancy or condition thereof.
(f) The absence at Closing of any proceeding or threat of any proceeding to condemn all or any part of the Exchange or State Property by a proceeding in eminent domain.
(g) Conveyance of acceptable title as provided in Section 5.
(h) Approval of the Studies pursuant to Subsection 6.2.
(i) Mutual execution of State's Easement Reservation pursuant to Section 2.3.
(j) Mutual execution of State's assignment of the Kitsap Rifle and Revolver Club lease to Exchanger, substantially in the form attached hereto as Exhibit A-2.

7.3 Waiver. If any condition specified in Section 7.2 is not met at Closing, a party may waive such condition in writing or it may terminate this Agreement without any further liability, provided that any waiver of condition 7.2.2(b) shall not occur without an update to the appraisal confirming that the Exchange Property Value set forth in Section 3.1 would not be reduced as a result of the failure to terminate the conservation easement identified in Section 7.2.2(b).

7.4 Refund. Upon termination under subsection 7.1 or 7.2, any monies deposited pursuant to this Agreement shall be promptly returned to the party depositing the same.

SECTION 8 REPRESENTATIONS AND WARRANTIES OF EXCHANGER

Exchanger makes the following representations and warranties to State. Each of these representations and warranties is material and is relied upon by State. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

8.1 Title. Title to the Exchange Property is vested in Exchanger.

8.2 No Liabilities. There exists upon the Exchange Property no condition which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records which affects the Exchange Property.

8.3 Correctness. The accuracy and truthfulness of all information furnished by Exchanger to State with respect to the Exchange Property excluding Studies.

8.4 Litigation. There is no pending or threatened litigation affecting the Exchange Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither Exchanger nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

8.5 Condition of Exchange Property. Exchanger represents and warrants the following: a) there are no apparent or latent defects in the Exchange Property; b) the Exchange Property does not contain any underground storage tanks, surface impoundments, asbestos or asbestos-containing material, or polychlorinated biphenyls (PCBs) or PCB-containing materials, past or present refuse dump sites, chemical storage sites, areas of heavily stained soil or sites known hazardous materials releases other than those indicated and described by exhibit attached hereto, which is a full representation of such conditions; and c) the Exchange Property is free from the presence of hazardous waste or materials and no hazardous waste or materials have been generated, stored, released, disposed of, or transported over, on or within the Exchange Property. The term "hazardous waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now in effect, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq., and the Model Toxics Control Act, RCW 70.105D. Exchanger has no undisclosed knowledge of any fact or condition that would materially impair the market value of the Exchange Property, would materially increase the cost of operating the Exchange Property or would be inconsistent with the terms of this Agreement.

8.6 Authorization. Exchanger has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by Exchanger will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

8.7 No Real Estate Agent. Exchanger has engaged no real estate agent or broker in connection with this transaction.

8.8 Appraisal Fees Paid. Exchanger has paid all appraiser's fees and charges associated with appraising the Exchange Property and State Property.

SECTION 9 REPRESENTATIONS AND WARRANTIES OF STATE

State makes the following representations and warranties to Exchanger. Each of these representations and warranties is material and is relied upon by Exchanger. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

9.1 No Liabilities. The State has no actual knowledge of any condition upon the State property which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records that affect the State Property.

9.2 Correctness. To the best of State's knowledge, the information furnished by State to Exchanger with respect to the State Property, excluding Studies, is true and accurate.

9.3 Litigation. The State has received no actual notice of pending or threatened litigation affecting the State Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither State nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

9.4 Authorization. State has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by State will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

SECTION 10 INDEMNITY AND HOLD HARMLESS

Exchanger agrees to indemnify, defend with counsel acceptable to State, and hold harmless the State, its agencies, employees, officers and agents from (a) all liabilities, losses, claims, demands, damages, assessments, costs and expenses (including reasonable attorneys' and consultants' fees) of every kind (hereafter "Liabilities") resulting from, arising out of or relating to the breach by Exchanger of any of its representations, warranties, or covenants contained in this Agreement and (b) all Liabilities arising under, resulting from or arising out of any activities of Exchanger, its agents, employees, contractors, subcontractors, permittees, or licensees at the Exchange Property prior to or at Closing.

SECTION 11 DESTRUCTION OR CONDEMNATION

Each party shall bear the risk of loss associated with its property prior to Closing. If, on or before the Closing Date, either property is materially damaged, or condemnation proceedings are commenced with respect to a property, the party receiving that property shall have the right, at its sole election, by giving notice to the other, either to terminate this Agreement or to exchange the property in accordance with this Agreement. If a party elects to terminate this Agreement, all rights and obligations of the parties shall terminate. If a party elects to exchange the property in accordance with this Agreement, the party receiving the damaged or condemned property shall be entitled to all insurance proceeds or condemnation awards payable by reason of such damage or condemnation. Each party shall immediately give notice to the other upon the occurrence of any damage to their property or the initiation of any condemnation proceedings affecting their

property. The term "material damage" as used in this section shall mean any damage or destruction which exceeds three percent (3 %) of the value of the Property.

SECTION 12 CLOSING AND CLOSING COSTS

Prior to or on the Closing Date, Exchanger and State shall deposit the following documents and funds in escrow, to be closed in accordance with the instructions of State and Exchanger consistent with this Agreement:

12.1 Exchanger Obligations. Exchanger shall deposit the following:

(a) Duly executed and acknowledged Statutory Warranty Deed conveying the Exchange Property to State and a Real Estate Excise Tax Affidavit;

(b) Funds necessary to reimburse State for administrative and other costs as specified in Section 3.2;

(c) Assumption of leases and contracts, substantially in form set forth in Exhibit A-2, including Special Use Lease No 60-B068979 shown in Exhibit A-3;

(d) If Exchanger is a corporation or partnership, a certified resolution authorizing the execution of all documents delivered at the Closing;

(e) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by all future owners for existing State forested parcels;

(f) Signed acceptance of the Easement Reservation set forth in Exhibit B-3; and

(g) Such other funds or documents, including without limitation, closing instructions as required of Exchanger to close the exchange in accordance with this Agreement.

12.2 State Obligations. State shall deposit the following:

(a) Duly executed and acknowledged Quit Claim Deed conveying the State Property to Exchanger and a Real Estate Excise Tax Affidavit;

(b) Tenant Estoppel Statements from all current State tenants using format acceptable to State and being similar to Exhibit B-5;

(c) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by State for existing Exchanger forested parcels; and

(d) Such other funds and documents, including without limitation, closing instructions as are required of State to close the exchange in accordance with this Agreement.

12.3 Prorations. All rents and other income, if any, and water, sewer, utility and maintenance charges, and any other expenses with respect to the operation of the properties shall be prorated between Exchanger and State as of the Closing Date, and to the extent information then available, such proration shall be made as of the Date of Closing. Such proration shall be adjusted and completed after the Closing Date as and when complete information becomes available, and State and Exchanger agree to cooperate and use their best efforts to complete such prorations not later than sixty (60) days after the Closing Date. No insurance prorations shall be made. Each party shall pay any assessments charged against their property in full prior to or at Closing unless otherwise agreed in writing. Exchanger shall pay all real estate taxes and personal property taxes related to the Exchange Property, if any, through the Date of Closing. In the event Exchanger has prepaid any real estate taxes, Exchanger may seek a refund from the appropriate county official; State shall have no obligation to refund or pay any such amount to the Exchanger. Exchanger shall pay any real property excise tax due, and the cost of any revenue stamps, if applicable, required to complete this transaction. Each party will pay their own recording fees. Proration for cash rentals for leases will be as of the date of actual closing.

12.4 Compensating Tax. Exchanger shall pay any and all compensating tax, if applicable, as defined under chapters 84.33 RCW or 84.34 RCW that may come due as a result of this transaction.

SECTION 13 CONTINUING FORESTLAND OBLIGATIONS

Exchanger and State acknowledge that the State Property and the Exchange Property are subject to certain continuing forestland obligations applicable to the properties under the forest practices rules adopted pursuant to RCW 76.09.070, including but not limited to the continuing obligations, if any, listed on the notice which is attached hereto as Exhibit C (the "Continuing Obligations"). At or before Closing, Exchanger and State each agree to sign and deliver to the other originals of the notice attached hereto as Exhibit H or such other notice that indicates the Exchanger's and State's knowledge of the Continuing Obligations as may be required by the Washington Department of Natural Resources ("DNR") at the time of Closing. At Closing, Exchanger and State shall each send the executed notice(s) to the appropriate DNR region office of jurisdiction, in accordance with the requirements of RCW 76.09.390. As of Closing, Exchanger and State each assume and agree to perform the Continuing Obligations at their sole cost and expense in a timely fashion.

SECTION 14 SURVIVAL

The representations, warranties, indemnification and obligations (to the extent such obligations are not fully performed at closing) contained herein are intended to survive closing and shall be deemed not to have merged into the deeds.

SECTION 15 REAL ESTATE COMMISSION

Exchanger shall pay any real estate commission payable in connection with this transaction. Any real estate agent or broker acting in this transaction shall be deemed to be the sole agent of Exchanger.

SECTION 16 NOTICES

All notices required or permitted to be given hereunder shall be in writing and shall be deemed given three (3) days following delivery in the United States certified mail, return receipt requested, postage prepaid, or on the date sent via facsimile as follows:

To Exchanger:
Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation Department
614 Division Street, MS-1
Port Orchard, WA 98366

To State:
Brad Pruitt
Transactions Manager
South Puget Sound Region
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

With Copy to:
Cindy Neff
Property and Acquisition Specialist
Asset Management and Recreation Division
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

The foregoing addresses may be changed by written notice.

SECTION 17 MISCELLANEOUS

17.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties. No other prior and contemporaneous negotiations, understandings and agreements, whether oral or written shall be deemed to exist or bind any of the parties hereto.

17.2 Binding Nature. All rights and obligations arising out of this Agreement shall inure to the benefit of and be binding upon the respective successors, heirs, assigns, administrators, executors and marital communities, if any, of the parties hereto.

17.3 Washington Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

17.4 Time of the Essence. Time is of the essence of this Agreement. No waiver or consent to any breach or other default in the performance of any of the terms of this Agreement shall be deemed to constitute a waiver of any subsequent breach of the same or any other term or condition hereof. In the event time for performance falls on a weekend or legal holiday designated by the United States or Washington State, performance shall be deemed to be timely rendered if so rendered on the next business day.

17.5 Captions. The captions and section headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any section.

17.6 Invalidity. If any provisions of this Agreement shall be invalid, void or illegal, it shall in no way affect, impair or invalidate any of the other provisions hereof.

17.7 Counterparts. This Agreement may be signed in counterparts, any one of which shall be deemed an original.

17.8 Date of Agreement. The Date of this Agreement shall be the date on which the last party executes this Agreement. Said date shall be inserted on the first page hereof when such date is determined.

17.9 Good Faith. Both parties shall act reasonably and in good faith in order to consummate this transaction, and neither party shall sell nor dispose of any of the property nor cause or suffer the creation of any matter of record, or defect in the title to the property for the purpose of avoiding its obligation to close.

17.10 Default. In the event that either party defaults in the performance of any of that party's obligations under this Agreement, the non-defaulting party shall have all remedies available in law or equity, but neither party shall be liable for consequential damages.

17.11 Assignability. This Agreement shall not be assigned without the prior written consent of the other party.

17.12 Advice of Counsel. Exchanger acknowledges that it has had an opportunity to seek independent legal advice regarding the transaction.

17.13 Recording. Either party may file a memorandum of the Agreement with the county auditor.

17.14 Exhibits. The following exhibits are attached and shall be incorporated into this Agreement by reference.

Exhibit A	Legal Description for Exchange Property
Exhibit A-1	Statutory Warranty Deed
Exhibit A-2	Assignment and Assumption of Lease
Exhibit A-3	Kitsap Rifle and Revolver Club Lease
Exhibit B	Legal Description for State Property
Exhibit B-1	Form of State's Mineral Reservation
Exhibit B-2	Legal Description of State Reserved Easement Parcels
Exhibit B-3	Form of State's Easement Reservation
Exhibit B-4	Quit Claim Deed
Exhibit B-5	Tenant Estoppel Certificate
Exhibit C	Notice of Continuing Forest Obligation
Exhibit D	Conservation Easement

17.15 Future Access. After Closing, if other rights are needed to provide access to the lands exchanged hereunder, State and Exchanger will cooperate by granting such easements, temporary permits, or licenses as needed with reasonable compensation to be agreed upon by the parties. This subsection 17.15 (c) is intended as a memorandum of understanding only and is not intended as a term of this Agreement. Failure of either party to honor this understanding will not be considered a breach of this Agreement nor grounds to invalidate this Agreement.

17.16 Submission. This Agreement must be executed by Exchanger, and an original delivered to State, at the address set forth in this Agreement, on or before 4:00 p.m. on May 8, 2009, to be considered by State. This Agreement shall not be binding upon State until signed by an authorized representative of State.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year set forth opposite their respective names.

EXCHANGER:

KITSAP COUNTY PARKS AND RECREATION DEPARTMENT

Date: _____, 2009.

_____

By:_____

Title:_____

STATE:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 2009.

_____
Peter Goldmark
Commissioner of Public Lands

Exchange Agreement
Approved as to Form this ____ day of
_____, 2009.

_____
Assistant Attorney General
State of Washington

[CORPORATION NOTARY]

ACKNOWLEDGMENT

STATE OF)
)ss
COUNTY OF)

On this _____ day of _____, 20 __, personally appeared before me _____to me known to be the _____ of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that **he/she/was** **they were** authorized to execute said instrument for said corporation and that the seal affixed is the corporate seal of the said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____
Notary Public in and for the State of
_____, residing at _____.

My appointment expires _____.

[COMMISSIONER NOTARY]

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
County of Thurston)

On this _____ day of _____, 2009, personally appeared before me PETER GOLDMARK, to me known to be the Commissioner of Public Lands, and ex officio administrator of the Department of Natural Resources of the State of Washington, the Department that executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the official seal of the Commissioner of Public Lands for the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

_____
Notary Public in and for the State of
Washington, residing at _____.

My appointment expires _____.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A

Kitsap County property to be conveyed to State

PARCEL I:

THE NORTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL II:

THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL III:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IV:

THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL V:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VII:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VIII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL X:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XI:

THE EAST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XII:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIII:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIV:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XV:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVI:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVII:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVIII:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XX:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIII:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIV:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXV:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVI:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVII:

THAT PORTION OF PARCEL B CONVEYED BY STATUTORY WARRANTY DEED UNDER AUDITOR'S FILE NO. 200404190409 DESCRIBED AS: THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, BEING THAT PORTION OF GOVERNMENT LOT 13, SAID SECTION 2,

EXCEPT THAT PORTION LYING WITHIN THE PLAT OF WILDCAT LAKE TRACTS, ACCORDING TO THE PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 31, RECORDS OF KITSAP COUNTY, WASHINGTON.

PARCEL XXVIII:

THAT PORTION OF GOVERNMENT LOT 8, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF SAID GOVERNMENT LOT 8 (ALSO BEING THE EAST QUARTER CORNER OF SAID SECTION 2); THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 2, A DISTANCE OF 400 FEET; THENCE WEST TO THE EAST LINE OF NW WILDCAT LAKE ROAD; THENCE NORTHERLY ALONG SAID EAST LINE OF NW WILDCAT LAKE ROAD TO THE NORTH LINE OF SAID GOVERNMENT LOT 8; THENCE EAST ALONG SAID NORTH LINE TO THE POINT OF BEGINNING.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-1
Statutory Warranty Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

STATUTORY WARRANTY DEED
Kitsap County

Grantor:	KITSAP COUNTY PARKS AND RECREATION
Grantee:	STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES
Legal Description:	NW4SW4, NE4SW4, SW4SW4, SE4SW4 of 1-24N-1W, and NE4NE4, SE4NE4, NE4SW4, SE4SW4, NW4SE4, NE4SE4, SE4SE4, SW4SE4 of 11-24N-1W, and NW4NW4 of 12-24N-1W and SE4SE4 and Govt. Lot 8 of 2-24N-1W.
Tax Parcel Number:	012401-3-001-1001, 012401-3-002-1000, 012401-3-003-1009, 012401-3-004-1008, 012401-3-005-1007, 012401-3-006-1006, 012401-3-007-1005, 012401-3-008-1004, 112401-1-016-1006, 112401-1-017-1005, 112401-1-018-1004, 112401-1-019-1003, 122401-2-007-1004, 122401-2-008-1003, 112401-3-027-1009, 12401-3-028-1008, 112401-4-001-1007, 112401-4-002-1006, 112401-4-003-1005, 112401-4-004-1004, 112401-3-029-1007, 112401-3-030-1004, 112401-4-005-1003, 112401-4-006-1002, 112401-4-007-1001, 112401-4-008-1000, 022401-4-025-1000, And 022401-4-002-1007.

THE GRANTOR, KITSAP COUNTY PARKS AND RECREATION, for and in consideration of the conveyance by the State of Washington of real property of equal value, hereby conveys and warrants to the STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES, GRANTEE, the real property situated in Kitsap

County, State of Washington, more particularly described in the attached Exhibit A and subject to the exceptions and encumbrances set forth in the attached Exhibit B.

Dated this _____ day of _____, 20___.

By _____

Title _____

DNR Exchange No. 86- 081861

Exhibits
Ackowledgement

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-2

(Form of Assignment of Lease Agreement)

After Recording Return To:
Department of Natural Resources
Asset Management and Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Agreement is between the State of Washington, acting through the Department of Natural Resources ("Assignor") and Kitsap County ("Assignee").

Assignor will transfer certain real property to the Assignee, the legal description which is contained in that certain lease between State of Washington as landlord and KITSAP RIFLE AND REVOLVER CLUB as lessee dated November 17, 2003 under Lease No. 60-B068979. Assignor wishes to assign its rights under the lease as landlord to Assignee and Assignee is willing to assume all of Assignor's obligations under the lease.

NOW THEREFORE, the parties agree as follows:

1. Assignment. Assignor hereby assigns to Assignee all of Assignor's rights, obligations and interests in and to the lease.

2. Assumption. Assignee hereby assumes any and all of Assignor's obligations arising under the lease after the date of this assignment and agrees to indemnify Assignor against and hold Assignor harmless from any and all liabilities, costs, losses, damages, claims or expenses, including, without limitation, reasonable attorney's fees, arising out of the obligations assumed herein.

ASSIGNOR
State of Washington
Department of Natural Resources

_____

_____
Date

ASSIGNEE

_____

_____
Date

CONSENT AND RELEASE

The lessee, _____, hereby consents to the transfer of the property to Assignee subject to the lease and releases Assignor from any and all liability arising under the lease after the date of this agreement.

LESSEE

_____

_____
Date

Pre-approved as to Form
February 12, 2001 by
James Schwartz
Assistant Attorney General

EXHIBIT A-
3

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
DOUG SUTHERLAND, Commissioner of Public Lan

SPECIAL USE LEASE

Lease No. 60-B068979

BY THIS LEASE (hereinafter "Agreement"), the STATE OF WASHINGTON, Department of Natural Resources, (hereinafter "State") leases to KITSAP RIFLE AND REVOLVER CLUB (hereinafter "Lessee") the premises in Kitsap County, Washington, the legal description of which is set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. Said premises and rights leased hereby are hereinafter referred to as the "Premises".

SECTION 1 OCCUPANCY

1.01 Lease Term. This Agreement shall commence on March 1, 2003 ("Commencement Date") and expire on February 27, 2018.

1.02 No Warranty of Quiet Enjoyment. State makes no warranty of quiet enjoyment of the Premises.

1.03 Condition of Premises. Lessee has had an opportunity to inspect Premises and enters into this Agreement solely in reliance on Lessee's own examination and not by reason of any representation by State. Premises are accepted in its present condition "AS IS WHERE IS". No reliance shall be placed on any opinion, material, or information provided by or through State, and Lessee does so at its own risk, cost and expense.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this Agreement, the following uses and no other uses are permitted:

Intensive use and occupancy containing Lessee's improvements, roads, parking areas, open shooting range, targets, and associated infrastructure.	8 Acres
Timberlands, wetlands and similar resource-oriented lands passively utilized by Lessee to provide buffer and safety zones for Lessee's shooting range.	64.41 Acres

In the event the Lessee desires a change in acreage or use, authorization must be obtained in advance and in writing from the State. Approval may be conditioned upon adjustment of the payment in accordance with changes in acreage or use.

SECTION 3 PAYMENT

Payments made hereunder will be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

3.01 Rent. The Lessee shall pay to the State, at Olympia, Washington 98504, in advance, the required rent of $7,200.00 for the period of March 1, 2003 to February 27, 2004 and annually thereafter subject to adjustment under Subsection 3.06.

8,124.47
w/LHT

3.02 Leasehold Tax. Lessee shall pay to State, the leasehold tax as set forth in RCW Chapter 82.29A - Leasehold Excise Tax as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

3.03 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected, except as expressly provided in Subsection 13.06 (Condemnation).

3.04 Interest Charged for Past-Due Rent and Other Sums Owed. Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the Commencement Date hereof), until paid, on rent or other sums owing under the terms of this Agreement commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this Agreement, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.05 Late Charge for Failure to Pay. In the event the Lessee fails to make any payment of rent due hereunder upon the date due, the State shall be entitled to collect from the Lessee a late charge equal to six percent (6%) of the amount of the delinquent payment. Any failure to pay rent or any amount specified in this Section 3, or any other amount to be paid by the Lessee under terms of this Agreement within thirty (30) days of the date due, shall be a material default hereunder by the Lessee and such default shall entitle the State to pursue all remedies specified in this Agreement, including the right to terminate this Agreement, though failure to exercise such right shall not be construed as a waiver of the right and thereafter pursue any remedies available at law or equity, including those contained in Chapter 59.12 RCW.

3.06 Adjustment of Rent. Beginning on the fifth anniversary of the Commencement Date, and at intervals of five (5) years thereafter (the "Adjustment Date"), a new annual rental will be established. In no event will the adjusted annual rental be less than the previous annual rental. Adjusted rental values established after the designated Adjustment Date shall be due retroactive to such Adjustment Date. The method for such adjustment shall be selected solely by the State from the following options:

(a) Increase of the current annual rent by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), US City Average (1982-84=100), between the date five (5) years previous to the Adjustment Date and the Adjustment Date, i.e., adjusted rental amount equals current annual rent times CPI as of current Adjustment Date divided by CPI as of date five (5) years previous. In the event the CPI ceases to be published, the State may substitute such other comparable cost of living index as then may be in publication by a comparable governmental agency.

(b) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through evaluation of pertinent market evidence by State lease administrator and/or other appropriate State personnel.

(c) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through formal appraisal by State's appraiser, certified general appraiser under contract with the State, or such other appraiser as may be agreed to by State. Such appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Institute.

The market value will be determined exclusive of Lessee's improvements and as though ownership were in fee simple, not encumbered by lease.

Under (b) and (c) above, the new annual rental above shall be computed by multiplying the market value of the Premises by the then current Prime Rate as of the Adjustment Date plus 200 basis points (Prime Rate + 2.0%). The term "Prime Rate" shall mean the Prime Rate as published in The Wall Street Journal from time to time (or the average Prime Rate if more than one is published), any change in such Prime Rate to effect a change in the rate charged hereunder on the date of each such change. If The Wall Street Journal ceases to be published or ceases to publish a Prime Rate, then State shall designate another nationally recognized business publication which publishes such a rate or such rates which does, in the reasonable opinion of State, represent the "Prime Rate" as defined herein.

3.07 Failure to Adjust Not Waiver. Failure of State to adjust rent pursuant to Subsection 3.06 above at the end of any five (5) year period, shall not be a waiver by State of the right to adjust rent at the end of any subsequent five (5) year period. State shall retain the right, for so long as this Agreement remains in effect, to adjust rent as of the end of any five (5) year period, as though all prior adjustments had been made in accordance with the above provisions.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this Agreement. Failure to inspect or enforce compliance shall not be construed as a waiver of the State's right to declare a breach, nor relieve Lessee of any liability to the State for any breach of the terms, conditions, or requirements of this Agreement.

4.02 Compatible Uses. State reserves for itself, its successors and assigns, the right at all times for any purpose to cross and re-cross the Premises at any place or grade, to grant easements/licenses over or leases to the Premises, to sell, or otherwise dispose of minerals, coal, oil, timber, gas, or other valuable materials from the Premises insofar as the State's activities on the Premises and any grant of rights the State makes to any person or entity shall not unreasonably interfere with the activities permitted hereunder.

4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.

SECTION 5 SPECIAL RESTRICTONS

5.01 Permits and Conformance With Laws.

(a) Lessee shall obtain all building permits and other required permits, licenses, permissions, consents, and approvals from governmental agencies or third parties in connection with this Agreement and Lessee's permitted use including construction of any improvements, changes, alterations, additions, repairs, maintenance to or replacement of the Premises, or for the conduct of any business upon the Premises at the sole cost and expense of Lessee. Copies of such permits, licenses, permissions, consents, and approvals shall be supplied to State on request.

(b) Lessee shall conform to all applicable laws, regulations, permits, orders, or requirements of any public authority affecting the Premises and the use thereof, and shall correct at the Lessee's own cost and expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use. In no event shall Lessee undertake or suffer any activity to be conducted upon the Premises which constitutes a nuisance or which is a threat to the health or welfare of the general public.

(c) Lessee shall cause all work on the Premises and all business conducted thereon during the term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

5.02 Other Restrictions on Use.

(a) Lessee shall cut no State timber or remove State-owned valuable material, without prior written consent of the State. Prior to State's authorization for the cutting of timber, or removal of valuable material, the Lessee must pay to the State the fair market value of the timber or valuable material, as determined by the State.

(b) Lessee shall take all reasonable precautions to protect the land and improvements on the Premises from fire, make every reasonable effort to report and suppress such fires as may affect the Premises, and shall be subject to applicable fire laws affecting the Premises.

(c) Lessee shall prevent accumulation of equipment parts or "bone yards" on the Premises.

(d) This Agreement does not convey rights to media uses, communication sites, or any use on the Premises other than those expressly stated in this Agreement.

5.03 Habitat Conservation Plan. The Premises are located within an area that is subject to State's Habitat Conservation Plan adopted in connection with Incidental Take Permit No. PRT-812521 (ITP) as supplemented by Permit No. 1168 (Collectively "ITP"). As long as the Habitat Conservation Plan remains in effect, Lessee and all persons acting under Lessee shall comply with the terms and conditions set forth in Exhibit 5A while operating on the Premises. State shall have the right to modify these terms and conditions from time to time to comply with the Habitat Conservation Plan, the ITP, the Endangered Species Act, the implementing regulations, and amendments thereto, or the requirements of the federal agencies administering these laws.

SECTION 6 UTILITIES, TAXES, LIENS

6.01 Utilities and Maintenance. During the term of this Agreement, Lessee shall pay all expenses incurred by Lessee in the use, enjoyment, and operation of the Premises, including, but not limited to, utility charges and all costs of maintaining and repairing the Premises and all improvements thereon whether now existing or hereafter installed. Lessee shall indemnify and hold the State harmless against any loss, liability, or expense resulting from any failure of Lessee to pay all such charges when due.

6.02 Taxes and Assessments.

(a) Lessee shall pay during the term of this Agreement all taxes and other governmental charges of any kind applicable or attributable to the installation of Lessee owned improvements on the Premises, Lessee's leasehold interest therein, and Lessee's use and enjoyment thereof.

(b) Lessee shall pay its prorated share of all assessments that are legally required to be paid now or may be charged during the Agreement term to the Premises or Lessee owned improvements thereon. Lessee shall not cause or suffer the imposition of any assessment upon the Premises without the prior written consent of State. In the event any new assessment is proposed which affects the Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Premises shall be made in compliance with all applicable statutes, including, but not limited to, Chapter 79.44 RCW.

6.03 Lessee Liens. Lessee shall not suffer or permit any lien to be filed against the State's interest in the Premises, or improvements thereon by reason of work, labor, or services performed thereon or materials supplied to, by or through the Lessee. If any such lien is filed, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in

writing by the State in advance. Lessee shall indemnify the State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to termination or cancellation of this Agreement.

SECTION 7 LESSEES INDEMNITY; INSURANCE REQUIREMENTS

7.01 Indemnity. Lessee releases and shall indemnify and defend (with counsel acceptable to State) State, its employees, officers, and agents from and against any and all claims arising out of the use, occupation or control of the Premises by Lessee, its agents, and employees. A "claim" as used in this subsection means any claim of any nature whatsoever for penalties, financial loss, damages (including but not limited to bodily injury, sickness, disease or death, or injury to or destruction of property, land and other natural resources including the loss of use thereof), costs or expenses (including but not limited to attorney's fees), whether or not resulting in a suit or action or reduced to judgment. This release and the obligation to indemnify shall not be eliminated or reduced by the concurrent negligence of the State, its officials, employees, or agents, except as provided in this subsection. To the extent that RCW 4.24.115 applies, Lessee shall not be required to indemnify State from State's sole or concurrent negligence. Lessee waives its immunity under Title 51 to the extent it is required to indemnify the State herein.

7.02 Insurance Requirements. Lessee shall, at all times during the term of this contract at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance may result in the termination of the contract at State's option.

All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the department's risk manager before the contract is accepted. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications:

1. Insurers subject to Chapter 48.18 RCW (admitted and regulated by the Insurance Commissioner): The insurer shall give the State 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

2. Insurers subject to Chapter 48.15 RCW (surplus lines): The State shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

Before starting work, Lessee shall furnish with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements

specified in the contract and, if requested, copies of polices to State. The certificate of insurance shall reference the State of Washington, Department of Natural Resources, and the lease number.

Lessee shall include all subcontractors as insured under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each subcontractor. Subcontractor(s) must comply fully with all insurance requirements stated herein. Failure of subcontractor(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella, and property insurance policies.

All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this contract. All insurance policies must expressly waive any right of subrogation by the insurance company against the State and the State's officials, employees, and agents.

If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this contract.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Commercial General Liability (CGL) Insurance. Lessee shall maintain general liability (CGL) insurance covering claims for bodily injury, personal injury, or property damage arising on the property and/or out of Lessee's operations and, if necessary, commercial umbrella insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insured (cross liability) condition.

Employer's Liability ("Stop Gap") Insurance. Lessee shall buy employers liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

Workers' Compensation Coverage. Lessee shall comply with all State of Washington workers' compensation statutes and regulations. Workers' compensation coverage shall be provided for all employees of Lessee and employees of any subcontractor or sub-subcontractor. Coverage shall include bodily injury (including death) by accident or disease, which exists out of or in connection with the performance of this contract. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers' compensation, employer's liability, commercial general liability, or commercial umbrella liability insurance.

If Lessee, subcontractor or sub-subcontractor fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee or subcontractor or sub-subcontractor employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such employees.

Business Auto Policy (BAP). Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01. Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

Builders Risk Insurance. If applicable, Lessee shall buy and maintain in force builders risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance shall be written on a completed form and in an amount equal to the value of the completed building, subject to subsequent modifications to the sum. The insurance shall be written on a replacement cost basis. The insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

Insurance described above shall be written to cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse. Insurance described above shall cover the entire work at the site including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property shall include portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding, falsework, and temporary buildings located at the site. The policy shall cover the

cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance or regulation.

Any deductible applicable to the insurance bought in compliance with the policy described above shall be identified in the contract documents and the responsibility for paying the part of any loss not covered because of application of deductible(s) shall be the responsibility of the Lessee. If any part of any loss is not covered because of the application of a deductible amount not identified in the contract documents, Lessee will pay such loss. Lessee shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by State. If testing is being performed, such insurance shall cover such operations. This insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

SECTION 8 WEEDS, HARMFUL SUBSTANCES

8.01 Weed Control. Lessee shall control all weeds on the Premises. Lessee shall be responsible for, or shall immediately reimburse State for, any all weed control cost incurred, as a result of Lessee's failure to control all weeds on said Premises.

Lessee shall prevent weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new weeds. Weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of Washington State and Federal law.

Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

a. Preventing weed problems;

b. Monitoring for the presence of weed species;

c. Establishing the density of the weed population (which may be zero) that can be tolerated;

d. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

e. Evaluating the effects and efficacy of weed control treatments.

8.02 Hazardous, Toxic, or Harmful Substances.

(a) Deleterious Material. Lessee shall not make, or suffer to be made, any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by the State, or unless permitted by Subsection 2.01 (Permitted Use). If the Lessee fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, the Lessee agrees that the State may, but is not obligated to, remove such materials and charge the Lessee for the cost of removal and disposal.

(b) Hazardous, Toxic, or Harmful Substances.

(1) Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use under Subsection 2.01 (Permitted Use) and unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall:

(i) Immediately notify the State of: all spills or releases of any Hazardous Substance affecting the Premises; all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended; all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises; and all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises; and

(ii) On request, provide copies to the State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises.

(2) Lessee shall be fully and completely liable to the State, and shall indemnify, defend, and save harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

SECTION 9 ASSIGNMENTS

Assignment. Lessee shall not hypothecate, mortgage, assign, sublease, transfer, or otherwise alienate this Agreement ("Assignment"), or any interest therein, without the prior written consent of State, which consent shall not be unreasonably withheld. In granting any such consent under this clause State shall be entitled to consider, among other items, the proposed assignee's, sublessee's or transferee's financial condition, business reputation, business, and such other factors as may reasonably bear upon the suitability of the assignee, sublessee, or transferee as lessee of the Premises. If Lessee is a corporation, partnership, or other association, (1) the transfer of more than fifty percent (50%) of the ownership interest in such entity, or (2) the sale of all or substantially all of the assets of Lessee shall be deemed to constitute an "assignment" of this Agreement which requires consent of State. The consent of State to any one assignment shall not constitute a waiver of State's right to consent to subsequent assignments, nor shall consent of State to any one assignment relieve any party previously liable as Lessee from any obligations under this Agreement, who shall remain joint and severally liable as primary obligor and not as surety. The acceptance by State of the payment of rent following an assignment shall not constitute consent to any assignment and State's consent shall be evidenced only in writing. The State may require reimbursement for any additional administrative costs resulting from the assignment.

SECTION 10 IMPROVEMENTS

10.01 Authorized Improvements. No improvement shall be placed on the Premises without the prior written consent of the State. Consent may be granted through this Agreement resulting in the State's approval of the authorized improvements listed herein as Exhibit 10A, or by written Letter of Authorization issued by the State.

10.02 Plan Approval. The plans or specifications for the construction of the authorized improvements listed on Exhibit 10A or authorized by Letter of Authorization issued by State, and for such changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval.

10.03 Ownership of Improvements. During the Term of this Agreement, the improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, all improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of State, unless State requires their removal pursuant to Section 10.04 below. Throughout the term of this Agreement, Lessee shall not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Premises for work or labor done, services performed, or materials used or furnished to be used in or about the Premises for or in connection with any construction, improvements or maintenance or repair thereon made or permitted to be made by Lessee, its agents, or sublessees. Any liens, encumbrances or claims of third parties with respect to any of the foregoing, shall be expressly subordinate and subject to the rights of State under this Agreement.

10.04 Condition at End of Lease. Upon vacating the Premises on the termination date, Lessee shall leave the Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Agreement and shall peaceably surrender the same to State. At the option of State, Lessee shall at its sole expense remove all improvements constructed by Lessee upon the Premises and return the Premises to grade level free of all debris.

10.05 Surety Bond. A surety bond, certificate of deposit assignment, or letter of credit may be required by State to assure completion of construction or development of any improvements costing in excess of $2,500.

10.06 Hold Harmless. Lessee shall indemnify, defend and hold harmless State and the Premises from and against all claims and liabilities arising by virtue of or relating to construction of the authorized improvements or repairs made at any time to the authorized improvements (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the State of Washington, with respect to all aspects of such work and materials therefore, and will make them available for inspection by State or its representatives as requested.

10.07 Permits; Compliance with Codes. Lessee shall cause all work on the Premises during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction. Lessee is responsible, at Lessee's sole cost and expense, to cause the authorized improvements and the Premises to comply with all applicable governmental laws, statutes, rules, regulations and/or ordinances that apply to the Premises during the Agreement Term, whether now in effect, or hereinafter adopted or enacted.

10.08 State's Repairs. State shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Premises, or any part thereof, during the term of this Agreement.

10.09 Lessee's Repairs, Alteration, and Maintenance. Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this Agreement, and keep and maintain the whole of the premise, including all improvements in a clean, sanitary and attractive condition.

SECTION 11 ROADS (NOT APPLICABLE)

SECTION 12 DEFAULT AND REMEDIES

12.01 Default. In the event of any material breach of any provision of this Agreement by Lessee, the breach, after expiration of any grace period as provided in this subsection, shall be

deemed a default entitling State to cancel this Agreement and seek any other remedies set forth in this Agreement or otherwise available at law or equity. State shall deliver to Lessee notice of the breach and a demand that the same be remedied immediately. Lessee shall not be in default if the breach pertains to the payment of money and Lessee cures the breach within thirty (30) days of receipt of the notice, or if the breach pertains to a matter other than the payment of any monies due under this agreement, Lessee shall after receipt of the notice promptly commence to cure the breach and shall cure the breach within forty-five (45) days after receipt of the notice. If such breach is non-monetary in nature, and, as determined by State, is not reasonably susceptible of being cured in said forty-five (45) days (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), Lessee shall commence to cure such breach within said period and diligently pursue such action with continuity to completion. If Lessee fails to cure a default, all Lessee owned improvements shall at the option of State, be removed by Lessee, be removed by State at the cost to Lessee, or become the property of State.

12.02 Reentry. In the event of any default by Lessee, State shall have the right, with or without canceling the Agreement, to reenter the Premises and remove all persons and property from Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this Agreement unless a written notice of termination is given to Lessee.

12.03 Termination of Agreements. Whether or not State elects to terminate this Agreement on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions or other arrangement for possession affecting Premises. Alternatively, State, in its sole discretion, may succeed to Lessee's interest in such sublease, license, concession or arrangement, and Lessee shall have no further right to or interest in the rent or other consideration receivable thereunder.

12.04 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this Agreement and shall continue as obligations until fully performed. All clauses of this Agreement that require performance beyond the termination or expiration date shall survive the termination or expiration date of this Agreement. Upon expiration or earlier termination of this Agreement, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements hereon, unless specified otherwise in this Agreement, shall cease.

12.05 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, the State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to the Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

12.06 Remedies Cumulative. The specified remedies to which the State may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this Agreement.

12.07 Nonwaiver. Waiver by the State of strict performance of any provision of this Agreement shall not be a waiver of nor prejudice the State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by the Lessee of any provision of this Agreement shall not constitute a waiver of any right of the State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall expressly do so in writing.

12.08 Force Majeure. The Lessee's failure to comply with any of the obligations under this Agreement shall be excused only if due to causes beyond Lessee's control and without the fault or negligence of the Lessee, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

12.09 Insolvency of Lessee. If the Lessee becomes insolvent, a receiver is appointed, or Lessee's interest is transferred by operation of law by reason of insolvency, the State may terminate this Agreement at its option. Insolvency as used herein will mean the inability of the Lessee to meet its monetary obligations under this Agreement as they come due.

SECTION 13 GENERAL PROVISIONS

13.01 Governing Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

13.02 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the activities conducted and business carried on under this Agreement, and the State shall have no obligation with respect to the Lessee's debts or other liabilities.

13.03 Lessee's Authority. Persons executing this Agreement on behalf of Lessee represent that they are authorized to do so and represent and warrant that this Agreement is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

13.04 State's Authority. This Agreement is entered into by State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this Agreement which may lawfully be enacted subsequent to the date of this Agreement.

13.05 Preservation of Markers. Lessee shall not destroy any land survey corner monuments and reference points (including but not limited to corner markers, witness objects, or line markers) without prior written approval from the State, which shall not be unreasonably withheld. Monuments or reference points that must necessarily be disturbed or destroyed during construction or operations must be adequately referenced and replaced, at the Lessee's cost, under the direction of a State of Washington Professional Land Surveyor, in accordance with all applicable laws of the State of Washington, including but not limited to RCW 58.24, and all relevant Department of natural Resources regulations.

13.06 Condemnation. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, this Agreement terminates as of the date the condemner takes possession. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, the State or Lessee may choose to terminate this Agreement as of the date the condemner takes possession. If either the State or Lessee elects to terminate this Agreement, the rents or other charges to be paid by Lessee will be apportioned by the State and paid by the Lessee to the date of taking. If neither the State nor Lessee elects to terminate this Agreement, the rent will be reduced in the same proportion that the value of the portions of the site to be taken bears to the value of the entire site as of the date condemner takes possession.

If the taking is for a period which will end on or extend beyond the expiration of the term of this Agreement, Lessee will have no claim or interest in or to any award of damages for the whole or partial taking of the site, except that the Lessee will be entitled to an amount equal to the fair market value of any improvements as of the date of taking (except trade fixtures) considered by this Agreement to be owned by the Lessee taken by the condemner.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Agreement will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the Premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

13.07 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.
Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of the State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

13.08 Time of Essence. Time is expressly declared to be of the essence of this Agreement and each and every covenant of Lessee and the State hereunder.

13.09 Amendments. Any amendments, revisions, supplements, or additions to this Agreement or the attached exhibits shall be made in writing executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.

13.10 Entire Agreement. This written Agreement or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

13.11 Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

13.12 Attorney Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the prevailing party shall be entitled to reasonable attorney fees, paralegal fees, accountant and other expert witness fees and all other fees, costs and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

13.13 Notices and Submittals. Any notice or submittal given under this Agreement shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted. Changes of address may be given in accordance with this section. Any notice or submittal given under this Agreement shall be:

To the State:

Where Agreement provisions require submittal to State office:
Department of Natural Resources
Product Sales and Leasing Division
P.O. Box 47061
Olympia, WA 98504-7061

Where Agreement provisions require submittal to the State at its Region office:

Department of Natural Resources
South Puget Sound Region Region
950 Farman Avenue North
Enumclaw, WA 98022

To the Lessee at the address affixed with signature or Lessee's last known address.

13.14 Exhibits. This agreement is subject to the terms and conditions of exhibits referenced herein, which are attached hereto and by this reference made a part hereof.

Exhibits: 1A - Legal Description and Encumbrances, 5A - HCP Requirements, 10A - Authorized Improvements

KITSAP RIFLE AND REVOLVER CLUB

Dated: Nov. 12, 2003.

BRAD SMITH, ~~PRESIDENT~~

Address: 4900 Seabeck Hwy NW
Bremerton, WA 98312

Phone: (360) 373-1007

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: November 17, 2003.

ART TASKER,
South Puget Sound Region Manager

Approved as to form this
27 day of February, 2003
Jim Schwartz, Assistant Attorney General

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Art Tasker is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the Region Manager of Washington State Department of Natural Resources, South Puget Sound Region to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: November 17, 2003

(Seal or Stamp)

Floella C. McKinley
NOTARY PUBLIC in and for the
State of Washington
My appointment
expires 6/29/04
expires

FLOELLA C. MCKINLEY
COMMISSION EXPIRES
NOTARY
PUBLIC
6-29-04
STATE OF WASHINGTON

EXHIBIT 10A
Authorized Improvements

(1) One 12 foot X 120 foot covered rifle position shooting building.

(2) One 12 foot X 105 foot covered pistol position shooting building.

(3) One 12 foot X 20 foot storage shed.

(4) One 8 foot X 12 foot target shed.

(5) Electrical meter service panel and power poles.

EXHIBIT 5A
HCP REQUIREMENTS

1. The Lessee shall immediately notify the State of new locations of Permit species covered in the Incidental Take permit (ITP) that are discovered within the leased Premises covered by the Habitat Conservation Plan (HCP), including, but not limited to: locations of occupied murrelet habitat; spotted owl nest sites; wolves; grizzly bears; nests, communal roosts, or feeding concentrations of bald eagles; peregrine falcon nests; Columbian white-tailed deer; Aleutian Canada geese; and Oregon silverspot butterflies. In all circumstances notification must occur within a 24 hour time period.

2. Upon locating any live, dead, injured, or sick specimens of any listed species covered by the ITP within the leased Premises the Lessee shall immediately notify the State. In all circumstances notification must occur within a 24 hour time period. Lessee may be required to take certain actions to help the State safeguard the well being of any live, injured or sick specimens of any listed species discovered, until the proper disposition of such specimens can be determined by the State.

3. Lessee shall refer to ITP number PRT-812521 (a copy of the ITP is located for reference in the region office) in all correspondence and reports concerning Permit activities.

4. All applicable provisions of the ITP and this schedule must be presented and clearly explained by Lessee to all authorized officers, employees, contractors, or agents of Lessee conducting authorized activities on the Property. Any questions Lessee may have about the ITP should be directed to the State.

5. At this time, the following sensitive areas, conditions or species have been identified on the Premisis. Contact the State for more information on the identified areas.

Riparian Management Zones

Bodies of water, including but not limited to those streams, rivers and lakes and other lakes and wetlands have been identified and/or may be located on the Premises. All activities within the Riparian Management Zone, as defined in the HCP and including that portion of the inner riparian ecosystem between the aquatic zone and the direct influence zone (uplands) and including the outer wind buffer, must comply with the current HCP Procedures. Activities in a Riparian Management Zone, including but not limited to cutting or removing any tree and/or timber (including hardwood, merchantable and unmerchantable timber, downed timber, windthrow and snags), and road, trench and/or trail use, and/or maintenance, may be restricted or not permitted during specific times. All activities must provide for no overall net loss of naturally occurring wetland acreage and function.

State Property to be conveyed to Kitsap County
STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
State Land Survey Unit
PO Box 47030
Olympia, WA 98504-7030

Dated 4-6-09

FILENAME:L2269 S25 T25 R1W

EXHIBIT B-1
(State's Mineral Reservation)

Mineral Reservation

The Grantor hereby expressly saves, excepts, and reserves out of the grant hereby made, unto itself and its successors and assigns forever, all geothermal steam and heat and all metals, oils, gases, coal, ores, minerals, and fossils of any nature whatsoever and of every name, kind, or description (excluding surface minerals such as rock, sand and gravel) in, under or upon that portion of the land legally described on the attached Exhibit B-2 (the "Mineral Land"), or any part thereof, and the right to explore the same for such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils; and it also hereby expressly saves and reserves out of the grant hereby made, unto itself and its successors and assigns forever, the right to enter by itself or its agents, attorneys, and servants upon the Mineral Land, or any part or parts thereof, at any and all times, for the purpose of opening, developing, and working mines thereon, and taking out and removing therefrom all such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its successors and assigns, forever, the right by its or their agents, servants, and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, and railroads, sink such shafts, remove such soil, and to remain on the Mineral Land or any part thereof for the business of mining and to occupy as much of the Mineral Land as may be necessary or convenient for the successful prosecution of such mining business, hereby expressly reserving to itself and its successors and assigns, as aforesaid, generally, all rights and powers in, to, and over said Mineral Land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and the rights hereby expressly reserved.

No rights shall be exercised under the foregoing reservation, by the Grantor or its successors or assigns (including a lessee under any oil and gas lease), until provision has been made by the Grantor or its successors or assigns to pay to the owner of the Mineral Land, or portion of the Mineral Land upon which the rights reserved herein to the Grantor or its successors or assigns are sought to be exercised, full payment for all damages sustained or to be sustained by said owner by reason of entering upon said Mineral Land and exercising such rights; PROVIDED, That if the owner of said Mineral Land from any cause whatever refuses or neglects to settle said damages, then the Grantor or its successors or assigns, or any applicant for a lease or contract from the state for the purpose of prospecting for or mining valuable minerals, or option contract, or lease, for mining coal, or lease for extracting petroleum or natural gas, shall have the right to institute such legal proceedings in the superior court of the county wherein the Mineral Land is situate, as may be necessary to determine the damages which said owner of said land may suffer; provided, however, the Mineral Land owner may, at its option, require that such determination be made by arbitration in accordance with the rules of the American Arbitration Association; provided, Grantor shall not be obligated to so arbitrate if Grantor's lessee under any applicable oil and gas lease is not legally required to so arbitrate.

As used in the foregoing paragraph, the term "damages" shall include, without limitation, actual and consequential damages, including loss of or damage to the surface, improvements, growing crops and timber, loss of future timber production, injury or damage to the Mineral Land owner's business operations thereon, all compensating or roll-back taxes arising or to arise from the loss of the forest land or timberland tax classification due to the exercise of any such reserved rights, and the cost of road maintenance, resurfacing and repair arising or to arise from the exercise of such reserved rights. To the extent the Mineral Land owner or its successors or assigns receives compensation for such damages from a successor or assign of Grantor (such as a lessee under an oil and gas lease) with respect to a particular activity or operation by such party, then Grantor shall not be required to make payment for such particular activity or operation (i.e., Mineral Land owner shall not be entitled to receive duplicative payment for damages for the same activity or operation).

EXHIBIT B-2
(Description of Areas Subject to State's Mineral Reservation)

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-3
RESERVATION OF EASEMENT ACROSS S-1 and S-2

Terms and Conditions of Reserved Easement by State

Grantor, as defined in that deed to which this reservation is attached, hereby reserves to itself, its successors and assigns, a permanent, nonexclusive Easement over parcels of land in Kitsap County, identified in Exhibit A to the deed as S-1 and S-2 and legally described as follows (hereafter Newberry Hill Parcel):

Parcel S-1
The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2
Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Said Easement to be sixty (60) feet in width running thirty (30) feet on each side of a centerline of an existing road(s) located approximately as shown on Exhibit B Easement Area (hereafter Easement Area).

Purpose. The Easement is reserved to provide access for any and all purposes, to and from lands owned by the Grantor. Authorized use shall include the right to travel, maintain, repair, construct or reconstruct the Easement Area.

Appurtenant. Subject to the terms and conditions herein, this Easement reservation is made to provide access to and from all real property owned by Grantor and all other real property of Grantor, now owned or acquired as of the execution date of this Quitclaim Deed or hereafter acquired by the Grantor (hereafter Benefited Parcel(s)).

Grantee Rights. Grantee, as defined in that deed to which this reservation is attached, shall have the right at all times for any purpose, to cross and recross the Easement Area at any place on grade or otherwise. Grantee may grant to third parties any or all of the rights reserved therein; provided, that use by such party shall be subject to the terms and conditions of this

Easement and shall not unreasonably interfere with the rights reserved to Grantor herein. Grantee shall own all timber now on or hereafter growing within the Easement Area and the right to remove said timber.

Relocation. Grantee shall have the right to relocate the Easement Area at the Grantee sole cost so long as the new location does not unreasonably interfere with the rights of Grantor herein.

Maintenance. The cost of road maintenance and resurfacing shall be allocated on the basis of respective uses of said roads. When any party uses a road, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of maintenance and resurfacing occasioned by such use as hereinafter provided. During periods when a road is being used solely by one party, such party shall maintain that portion of said road so used to the standards existing at the time use is commenced. During periods when more than one party is using the same road, or any portion thereof, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but shall not be limited to:

a. The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed at a reasonable and agreed upon rate the maintenance and resurfacing of the road or the portion thereof being used; and

b. A method of payment by which each party using said road or a portion thereof, shall pay its pro rata share of the cost incurred by said maintainer in maintaining or resurfacing said road or portion thereof.

For purposes of this easement reservation, maintenance is defined as the work normally necessary to preserve and keep the roadway, road structure and road facilities as nearly as possible in their present condition or as hereafter improved.

Repairs. Each party using any portion of a road shall repair, or cause to be repaired, at its sole cost and expense, that damage to said road occasioned by it which is in excess of that which it would cause through normal and prudent usage. Should damage be caused by an unauthorized user, the cost of repair shall be treated as ordinary maintenance and handled as set forth above.

Improvements. Unless the parties agree in writing to share the cost of improvements in advance of such improvements being made, such improvements shall be solely for the account of the improver.

Permittees. The Grantor may permit its respective agents, contractors, licensees, lessees, purchasers of timber or other valuable materials, and their agents, hereinafter individually referred to as "Permittee" and collectively referred to as "Permittees," to exercise the rights reserved hereby.

Insurance. The State of Washington, including all its agencies and departments, is self insured for all exposures to tort liability, general liability, property damage liability and vehicle liability,

as provided in statute, but only as respects the negligence of the State. So long as the State of Washington continues to be the easement holder of this reservation, it shall not be required to carry insurance. Should the State's rights be assigned or transferred to another entity in whole or in part, such entity shall carry insurance as required below.

Before using any of said rights granted herein, the State's Successors and Assigns (Assignees) and Permittees shall obtain and keep in force the following liability insurance policies, insuring against liability arising out its operations, including use of vehicles, with the corresponding minimum amounts of coverage:

a. Commercial General Liability (CGL) insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the general aggregate limit shall be at least twice the "each occurrence" limit, and the products-completed operations aggregate limit shall be at least twice the "each occurrence" limit.

b. Employer's Liability ("Stop Gap") insurance, and if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

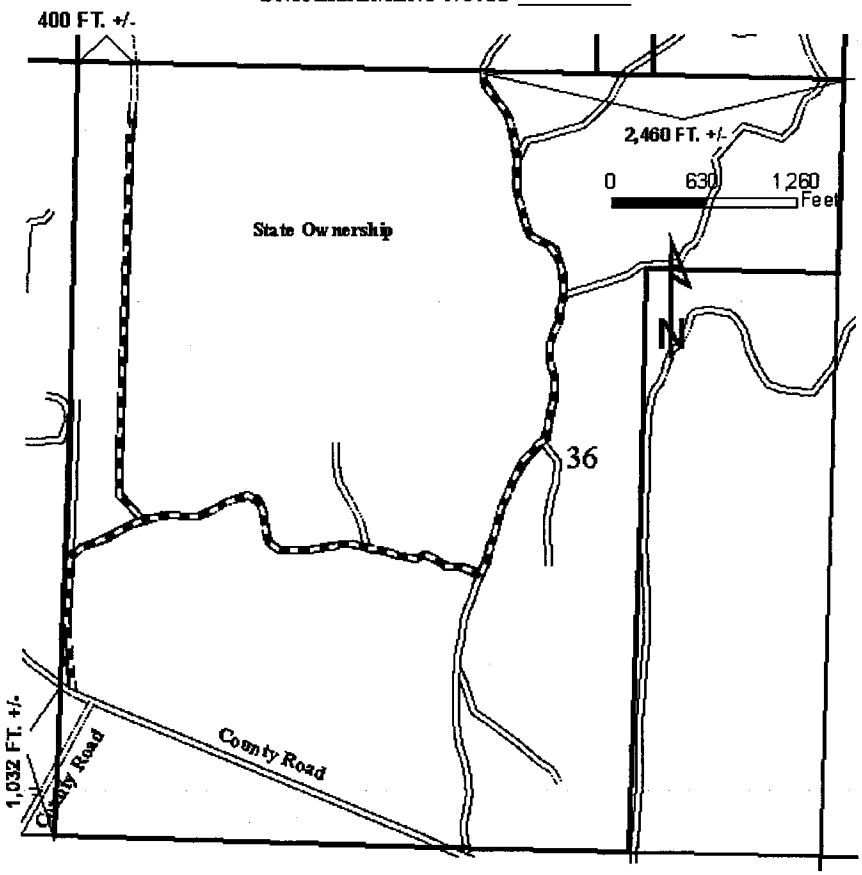
c. Business Auto Policy (BAP) and if necessary, commercial umbrella liability insurance with a limit of not less than $1,000,000 per accident, with such insurance covering liability arising out of "Any Auto". Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later versions of CA 00 01. Grantee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

All Assignees and Permittees shall comply with all State of Washington workers' compensation statutes and regulations. Worker's compensation coverage shall be provided for all employees of assignees and employees of any subcontractors or sub-subcontractors.

Assignees and Permittees shall deliver to Grantee, upon request, a certificate of insurance executed by a duly authorized representative of each insurer showing compliance with the insurance requirements specified above. In the event of cancellation or non-renewal of any coverages, written notice as prescribed in statute (Chapter 48.18 RCW or Chapter 48.15 RCW) will be provided to Grantee.

Successors. The terms of this reservation run with the land and shall bind the successors and assigns of both Grantor and Grantee. Grantee shall be deemed to have accepted the terms of this reservation and be bound by the same by accepting delivery of the deed.<insert easement acknowledgement signature blocks for state and kitsap county>

EXHIBIT B
EASEMENT AREA
DEPARTMENT OF NATURAL RESOURCES
SECTION 36, TOWNSHIP 25 NORTH, RANGE 01 WEST, W.M. IN KITSAP COUNTY, WA
DNR EASEMENT NO. 50-_____



EXISTING STATE EASEMENT RESERVATION ROAD.
ROAD LENGTH = 10,727 FT. +/-, EASEMENT AREA = 14.84 +/- AC.
NEW CONSTRUCTION STATE EASEMENT RESERVATION ROAD
ROAD LENGTH = 365 FT. +/-, EASEMENT AREA = .5 +/- AC.

-WIDTH OF EASEMENTS: 30' EACH SIDE OF CENTERLINE
-STATIONING SHOWN AT SUBDIVISION AND SECTION LINE IS APPROXIMATE
-THE RIGHT-OF-WAY SHOWN IS INTENDED TO BE OVER AND ACROSS ALL PROPERTY AS SHOWN ON THIS MAP.
-LOCATION OF ROADS AND PROPERTY LINES BASED UPON DEPARTMENT OF NATURAL RESOURCES' CURRENT GIS INFORMATION

MAP PREPARED BY:_____ DATE:_____
BRAD PRUITT

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-4
Quitclaim Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

QUITCLAIM DEED
Kitsap County

Grantor: State of Washington, acting by and through the Department of Natural Resources.

Grantee: Kitsap County Parks and Recreation

Abbreviated
Legal Desc: (abbreviated legal description)

Tax Parcel #: (#)

THE GRANTOR, STATE OF WASHINGTON, acting by and through the Department of Natural Resources, for and in consideration of the conveyance by Kitsap County Parks and Recreation Department, of real property of equal value as authorized and approved by Resolution No. (#) adopted by the Board of Natural Resources, State of Washington, on (date 2009, hereby conveys and quitclaims to KITSAP COUNTY PARKS AND RECREATION DEPARTMENT, GRANTEE, all interest in the real property situated in Kitsap County, Washington, and described in Exhibit A, attached hereto, which by this reference is made a part hereof, subject to those matters and encumbrances described in the attached Exhibit B Easement Reservation (Easement Reservation), together with all after-acquired title of GRANTOR'S therein.

Grantor hereby reserves for itself, its successors and assigns, all rights and interests in minerals, excluding surface minerals such as rock, sand, and gravel, in perpetuity, as set forth in and

according to the terms and conditions of the Mineral Reservation attached hereto as Exhibit C, over and across those portions of said real property described on the attached Exhibit A.

The lands described in Exhibit A are subject to that certain statutory reserved right as set forth in RCW 79.36.370.

This Deed is executed and delivered pursuant to RCW 79.17.060 at the request of the Commissioner of Public Lands with the approval of the Board of Natural Resources, State of Washington.

WITNESS the Seal of the State of Washington, affixed this _____ day of _____, 20___.

_____
GOVERNOR

ATTEST: _____
SECRETARY OF STATE

Approved as to form this _____ day of _____, 20____.

_____
Assistant Attorney General

State Deed No. (#)
State Record of Deeds, Volume (#), Page (#).
Transaction File No. 86-(#)

Exhibits

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-5
Tenant Estoppel Statements

DATE

Kitsap Rifle and Revolver Club
Attn: Brad Smith, President
4900 Seabeck Hwy NW
Bremerton, WA 98312

Re: Consent to Lease Assignment & Lease Estoppel, DNR Lease No. 60-B068979

Dear Mr. Smith:

You were originally informed of the possibility of a land exchange between the State of Washington Department of Natural Resources (State) and the Kitsap County Parks and Recreation Department in February of 2009 that might involve the property that you currently lease from the State.

While an exchange agreement has not been finalized between the State and Kitsap County Parks and Recreation Department, at this time the State anticipates exchanging the property that you lease that is located in Section 36, Township 25 North, Range 01 West, W.M. in Kitsap County, Washington. This exchange is being referred to as the Newberry Hill Land Exchange 86-081861.

If this exchange should be finalized, the Kitsap County Parks and Recreation Department, would replace the State of Washington, Department of Natural Resources, as the Lessor for the above-mentioned land that you currently lease from the State. The State anticipates presenting the Newberry Hill Land Exchange proposal to the Board of Natural Resources for their consideration and approval at their June 2, 2008 meeting in Olympia, Washington.

Please sign and return this Letter of Consent to Lease Assignment together with the Lease Estoppel in the enclosed self-addressed stamped envelope, no later than April 30, 2009, if you consent to this assignment. A second copy has been enclosed solely for your records.

If you consent to this lease assignment, Kitsap County Parks and Recreation Department requires that you forward a current copy of your insurance certificate showing adequate insurance amounts as required under the terms and conditions of this lease prior to April 30, 2009. Your

insurance agent should be able to assist you with this by providing you with a copy of your insurance certificate. You should forward this insurance certificate to:

> Kitsap County Parks and Recreation Department, c/o Matthew Keough, 614 Division Street, MS-1, Port Orchard, WA 98366

In the event you choose not to sign and return this Letter to Consent to Lease Assignment and Lease Estoppel, then this letter shall serve as notice that the State is proceeding under Lease Clause 4.03 providing you with sixty (60) days' written notice for formal lease cancellation.

It reads as follows:

> *4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.*

If you choose to not consent to the assignment and the State successfully negotiates the exchange of the property, the lease will be cancelled effective. ALLOW 60 DAYS PLUS ALLOWANCE FOR MAILING

If you have any questions about the lease or this exchange, please contact Pat Hennessy at (360) 596-5149 or Brad Pruitt at (360) 584-5037.

Sincerely,

Randy Acker
South Puget Sound Region Manager

Encl: Self-Addressed Stamped Envelope

c: Dave Dennis, Forest Manager
File 60-B068979
Bob Winslow

Lease Assignment

I consent to the above referenced transfer and assignment of the lease to the Kitsap County Parks and Recreation Department.

KITSAP RIFLE AND REVOLVER CLUB

BRAD SMITH, PRESIDENT Date Signed

Lease Estoppel

60-B068979

The undersigned ("Tenant") is the tenant under that certain lease dated as of November 17, 2003, by and between Tenant and State of Washington, Department of Natural Resources, ("Landlord") (as amended and supplemented by the instruments attached below, the "Lease") pursuant to which Tenant has leased certain property located in Kitsap County, Washington as more particularly described therein (the "Property").

The undersigned understands that the Kitsap County Parks and Recreation Department, ("Exchanger") is acquiring the Landlord's interest in the Property and the Lease. Tenant further understands that Exchanger will be relying on the truth and accuracy of the matters described in this certificate in proceedings to complete the exchange. Based on such understandings, Tenant certifies to Exchanger.

A full and complete description of the Lease, including any and all amendments and modifications thereto is attached as Exhibit A and incorporated herein by this reference (the "Lease"). Said documents and instruments constitute the entire agreement between Landlord and Tenant with respect to the Property.

1. The Lease has not been amended, altered, modified or supplemented in any way.

2. The Lease has not been assigned, mortgaged, pledged or otherwise encumbered by Tenant, nor has all or any portion of the Property been sublet. Tenant has no notice of any prior assignment of the Lease or pledge of the Lease or rents as security by Landlord.

3. The Tenant has no option to renew the Lease or otherwise extend the term of the Lease. Tenant has no option or right of first refusal to purchase the Property.

4. The annual rent payable under the terms of the Lease is the same as shown in the Lease, or most recent rent adjustment letter.

5. Tenant has made no security or other deposits or prepaid rent under the Lease, except as follows:

Rent is paid annually and has been paid through February 27, 2010.

Tenant has no claim of offset or defense against either the rent or the Landlord, nor any other claim or counterclaim, including, without limitation, claims to concessions, "free" rent, rebates or abatements in rent, against Landlord except as set forth under the Lease.

6. There exists no improvements or personal property of the tenant on the property other than those listed on Exhibit 10-A to the Lease. Upon termination of the Lease for any reason, including expiration of its term, ownership and disposition of all such improvements or personal property shall be pursuant to the Lease.

7. There exists no defaults on the part of the Landlord under the Lease.

8. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangements under the bankruptcy laws of the United States or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

This certificate may be relied upon by Exchanger and, if the above-referenced acquisition closes, shall be binding upon the undersigned.

KITSAP RIFLE AND REVOLVER CLUB

BRAD SMITH, PRESIDENT Date Signed

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT C
Continuing Forest Obligation

When Recorded Return to:

DNR – South Puget Region
950 Farman Avenue N
Enumclaw, WA 98022
Ph (360) 825-1631
Fx (360) 825-1672

Washington State Department of Natural Resources
Notice of Continuing Forest Land Obligation

Sellers and Buyers of land and perpetual timber rights have certain rights and responsibilities when the land or perpetual timber rights are sold or transferred. Where the land is subject to certain continuing forestland obligations including without limitation reforestation, Road Maintenance and Abandonment Plans and Harvest Strategies along Type 4 Waters in Eastern Washington, **prior to the sale or transfer of the land or perpetual timber rights the law requires that the following occur:** 1) the seller shall notify the buyer of the existence and nature of the obligations and 2) the buyer shall sign a Notice of Continuing Forestland Obligation Form indicating the buyer's knowledge of such obligation. At the time of sale or transfer of the land or perpetual timber rights the seller shall send the signed Form to the Department of Natural Resources (DNR). The Form may be obtained from your DNR region office.

If the seller fails to notify the buyer about the continuing forest land obligation referenced above, the seller shall pay the buyer's costs related to such continuing forest land obligation, (including all legal costs) incurred by the buyer in enforcing the continuing forestland obligation against the seller. Failure by the seller to send the required notice to the DNR at the time of sale shall be prima facie evidence, in an action by the buyer against the seller for costs related to continuing forest land obligation, that the seller did not notify the buyer of the continuing forest land obligation prior to sale. See RCW 76.09.070, RCW 76.09.390 and WAC 222-20-055.

There are also other types of continuing forestland obligations subject to certain requirements, including without limitation Small Forest Landowner Forest Riparian Easements and Landowner Landscape Plans. For more information contact the DNR Region Office.

CONTINUING OBLIGATION/S

Reforestation (RCW 76.09.070)

_____ Obligation exists on the property identified below and relates to the following Forest Practice Application/Notification (FPA/N) Numbers (list all that apply, add attachment if necessary).

_____ No Reforestation obligation exists on the property.

Road Maintenance and Abandonment Plan (WAC 222-24-051)

_____ Obligation exists on property identified below and relates to the following FPA/N numbers and/or Road Maintenance and Abandonment Plan Numbers (list all that apply, add attachment if necessary).

_____ Road Maintenance and Abandonment Plan is required, but not yet filed.

_____ No Road Maintenance and Abandonment Plan obligation exists on the property.

Harvest Strategy along Type 4 Waters in Eastern Washington (WAC 222-30-022 (2)(b))

_____ Obligation exists on the property identified below and relates to the following FPA/N Numbers (list all that apply, add attachment if necessary).

_____ No Harvest Strategy obligation exists on the property.

PROPERTY IDENTIFICATION

Land/Rights Sold/Transferred (circle one): *Land and Timber* *Land* *Perpetual Timber Rights*

Date that the Land/Rights was/were Sold/Transferred (month/day/year): _____

County/ies: _____

DNR Region/s: _____

Legal Description of the Lands/Rights being Sold/Transferred (include county parcel number/s, add attachment if necessary): _____

_____

_____

_____

SELLER:		**BUYER:**	
Signature:	_____	Signature:	_____
Date:	_____	Date:	_____
Print name:	_____	Print name:	_____
Title:	_____	Title:	_____
Address:	_____	Address:	_____
Phone:	_____	Phone:	_____

NOTE TO SELLER:
At the time of sale or transfer of the property or the perpetual timber rights:
The seller is responsible for delivering (by certified mail or in person) the SIGNED ORIGINAL to the DNR Region Office in which the property is located. However, if you choose to also have this form recorded by the county, the original is delivered to the county and a copy delivered (by certified mail or in person) to the DNR Region Office.

FOR DEPARTMENTAL USE ONLY

Notice of Continuing Forestland Obligation #: _____ Date Received: _____

Region: _____ **Received by:** _____

FORM DNR QQ-42 (July 18, 2002)

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
EXHIBIT D
DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

Record at the request of:
Kitsap County
Facilities, Parks and Recreation
614 Division Street, MS 1
Port Orchard, WA 98366

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 1 of 4

EXCISE TAX EXEMPT MAR 30 2007

Section 1 TS 24N Range 1W
GOV 8 see additional page
assessors property tax parcel
012401-2-033-1005
see attached pg. 4

DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

The Grantor, **Kitsap County** for and in consideration of monies coming in whole or in part from the Washington Wildlife and Recreation Program of the State of Washington Interagency Committee for Outdoor Recreation and in fulfillment of terms of the Project Agreement identified below, conveys and grants to the **State of Washington (Grantee)** individually and as the representative of all the people of the State, the right to use the real property described below forever for conservation purposes.

Those purposes are described in the Project Agreement entered into between the Grantor and the State of Washington through the Interagency Committee for Outdoor Recreation entitled, Central Kitsap Greenway (Port Blakely Tree Farm), Project Number 04-1457A. The application and supporting materials are on file with the Grantor and the State in connection with the Project Agreement.

The Grantor will not make or permit to be made any use of the real property described in this deed, or any part of it, which is inconsistent with the right to use for conservation purposes herein granted unless the State, through the Interagency Committee for Outdoor Recreation or its successors, consents to the inconsistent use,which consent shall be granted only upon conditions which will ensure that other conservation land of at least equal fair market value at the time of change of use and of as nearly as feasible equivalent qualities, characteristics and location for conservation purposes for which state assistance was originally granted will be substituted in the manner provided in RCW 79A.25.100 for marine recreation land, whether or not the real property covered by this deed is marine recreation land. RCW 79A.25.100 reads as follows:

"Marine recreation land with respect to which money has been expended under RCW 43.99.080 (recodified as RCW 79A.25.080) shall not, without the approval of the committee, be converted to uses other than those for which such expenditure was originally approved. The committee shall only approve any such conversion upon conditions which will assure the substitution of other marine recreation land of at least equal fair market value at the time of conversion and of as nearly as feasible equivalent usefulness and location."

The real property covered by this deed is described as follows:

CENTRAL KITSAP GREENWAY (PORT BLAKELY TREE FARM):
PARCEL A: The West Half of the Northwest Quarter; the Southwest Quarter; all in Section 1, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;

Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL B: That portion of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M., in Kitsap County; Washington, described as follows:

Beginning at the Northeast corner of Government Lot 8 (being also the East Quarter corner of said Section);
Thence South along the East line of said Section a distance of 400 feet;
Thence West to the East line of the existing 60-foot wide county road commonly known as Northwest Wildcat Lake Road;
Thence Northerly along the East line of said road to the North line of Government Lot 8;
Thence East along said line to the point of beginning.

Also, the South Half of the Southeast Quarter of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M.;
Except that portion thereof lying within the boundaries of any existing county road.

PARCEL C:. The Northeast Quarter of the Northeast Quarter of Section 11, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL D: The Northwest Quarter of the Northwest Quarter of Section 12, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except any portion thereof lying within the boundaries of any existing county road.

This deed shall in no way modify or extinguish the functions of the Grantor under the Project Agreement, including the Grantor's functions to operate and maintain the land as set out in the Project Agreement.

Dated this 26th day of March, 2007

By: _____

Title: Chair of Board of Commissioners

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 2 of 4

ATTEST:

STATE OF WASHINGTON

COUNTY OF KITSAP)

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:18 PM
Karen Flynn, Kitsap Co Auditor
Page: 3 of 4

THIS IS TO CERTIFY that on this 26th day of March 2007, before me the undersigned Notary Public in and for the 'State of Washington, duly commissioned and sworn, personally appeared

Chris Endresen to me. This individual is known to be the Chair of the Board of Co. Commissioners of the Board of County Commissioners that executed the foregoing deed and acknowledged to me that they signed and sealed the same as the free and voluntary act and deed of said _____ and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said _____ WITNESS my hand and official seal the day and year in this certificate first above written.

Becky A. Froelich Becky A. Froelich
Notary Public in and for the State of Washington, residing in Kitsap County. My commission expires 10/7/2010.

KITSAP TRACT #1:

L/C 6110

012401-2-033-1005	012401-2-034-1004	012401-2-035-1003	012401-2-036-1002
012401-3-001-1001	012401-3-002-1000	012401-3-003-1009	012401-3-004-1008
012401-3-005-1007	012401-3-006-1006	012401-3-007-1005	012401-3-008-1004
022401-4-025-1000	112401-1-016-1006	112401-1-017-1005	112401-1-018-1004
112401-1-019-1003	112401-3-027-1009	112401-3-028-1008	112401-4-001-1007
112401-4-002-1006	112401-4-003-1005	112401-4-004-1004	112401-4-005-1003
112401-4-006-1002	112401-4-007-1001	112401-4-008-1000	112401-3-029-1007
112401-3-030-1004	122401-2-007-1004	122401-2-008-1003	022401-4-002-1007

200404190409
Page: 2 of 8
04/19/2004 04:07P
FIRST AMERICAN TITLE INS DEED $28.00 Kitsap Co, WA

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 36.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 4 of 4

Don Burger

From: Kevin M. Howell [KMHowell@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 11:29 AM
To: Shelley E. Kneip
Subject: Re: Exec Summary:

[redacted]

>>> Shelley Kneip 5/7/2009 10:58 AM >>>
Here are my revisions to Matt's exec summary

Don Burger

From: Shelley E. Kneip [SKneip@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 11:32 AM
To: Kevin M. Howell
Subject: Re: Exec Summary:

[redacted]?

>>> Kevin Howell 5/7/2009 11:29 AM >>>
[redacted].

>>> Shelley Kneip 5/7/2009 10:58 AM >>>
[redacted]

Don Burger

From: Rhiannon Fernandez [RFernand@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 12:06 PM
To: Terri Lyman
Subject: DNR

Okay, we got the agenda summary from Shelley for the resolution to give land to KRRC. And Matt called me (must of heard us talking about him), and he said to go ahead with what you have for the DNR part, and if it has to change, it can be changed later.

Thanks,
Rhiannon

(whew!)

Don Burger

From: Rhiannon Fernandez [RFernand@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 12:22 PM
To: Terri Lyman
Subject: Re: DNR

Okay, cool.

>>> Terri Lyman 5/7/2009 12:21 PM >>>
Rhiannon - I'm going to replace the agenda just posted on the L drive with the new one just received. tl

>>> Rhiannon Fernandez 5/7/2009 12:05 PM >>>
Okay, we got the agenda summary from Shelley for the resolution to give land to KRRC. And Matt called me (must of heard us talking about him), and he said to go ahead with what you have for the DNR part, and if it has to change, it can be changed later.

Thanks,
Rhiannon

(whew!)

Don Burger

From: B. Regina Taylor [bregina.taylor@comcast.net]
Sent: Thursday, May 07, 2009 2:29 PM
To: Kevin M. Howell
Subject: KRRC Land Transaction

Kevin:

Thanks for your phone message this morning. Here is my email. Please email those drafts as soon as you can.

Regina

B. Regina Taylor
Attorney at Law, PC
9353 Central Valley Rd. NW, Suite 2
Bremerton, WA 98311
Ph. 360-698-5522 Fax 360-698-2584

NOTICE: THIS MESSAGE IS INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM/WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW.

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If you have received this communication in error, please notify us immediately by e-mail and delete the communication from your computer. Thank you.

Don Burger

From: Kevin M. Howell [KMHowell@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 2:43 PM
To: bregina.taylor@comcast.net
Subject: Fwd: Final Newberry Hill Exchange Agreement
Attachments: Final Exchange Agreement sent to KC 050609.doc

Hi Regina.

Attached is the latest version on the DNR/County Exchange Agreement for your reference.

Kevin M. Howell
Deputy Prosecuting Attorney for Kitsap County
Civil Division
614 Division Street, MS-35A
Port Orchard, WA 98366
Email: kmhowell@co.kitsap.wa.us
Phone: (360) 337-7268
Fax: (360) 337-7083

>>> Matt Keough 5/6/2009 4:06 PM >>>
COST REIMBURSEMENT CLAUSE has the County obliged for transaction costs that, all told, are estimated total our grant reimbursement amount for the original Central Kitsap Greenway grant, $75,000. "Transaction costs" include a $13,000 cash payment to DNR for the property repairs needed to be in compliance with Forest Practices (RMAP). DNR is NOT expecting these funds at closing - but after the original RCO grant closes at the end of June.

Special Use Lease is to be assigned to us. KRRC has received and processed ESTOPPEL.

Need to also focus in on the Disposal of land process - with a deed or with a PSA - with considerations and covenants.

MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "NEFF, CINDY (DNR)" <CINDY.NEFF@dnr.wa.gov> 5/6/2009 1:41 PM >>>
1:40 pm, Wed, May 6, 2009

Hi Matt,

Here's the final Newberry Hill Exchange Agreement.

Cindy Neff
Asset Planning & Transactions
Dept. of Natural Resources
1111 Washington Ste SE

PO Box 47014, Olympia, WA 98504
360-902-1009 (office)
360-902-1789 (fax)
cindy.neff@dnr.wa.gov

Don Burger

From: Mailer-Daemon@mail1.co.kitsap.wa.us
Sent: Thursday, May 07, 2009 2:45 PM
To: Kevin M. Howell
Subject: Message status - undeliverable

Received: from ADM_DO-MTA by mail1.co.kitsap.wa.us with Novell_GroupWise; Thu, 07 May 2009 14:43:03 -0700 Message-Id: X-Mailer: Novell GroupWise Internet Agent 7.0.2 HP Date: Thu, 07 May 2009 14:42:49 -0700 From: "Kevin Howell" To: Subject: Fwd: Final Newberry Hill Exchange Agreement References: Mime-Version: 1.0 Content-Type: multipart/mixed; boundary="=__PartBD96F9C9.0__=" This is a MIME message. If you are reading this text, you may want to consider changing to a mail reader or gateway that understands how to properly handle MIME multipart messages. --=__PartBD96F9C9.0__= Content-Type: multipart/alternative; boundary="=__PartBD96F9C9.1__=" --=__PartBD96F9C9.1__= Content-Type: text/plain; charset=US-ASCII Content-Transfer-Encoding: quoted-printable Hi Regina. =20 Attached is the latest version on the DNR/County Exchange Agreement for = your reference. =20 Kevin M. Howell Deputy Prosecuting Attorney for Kitsap County Civil Division 614 Division Street, MS-35A Port Orchard, WA 98366 Email: kmhowell@co.kitsap.wa.us=20 Phone: (360) 337-7268 Fax: (360) 337-7083 >>> Matt Keough 5/6/2009 4:06 PM >>> COST REIMBURSEMENT CLAUSE has the County obliged for transaction costs = that, all told, are estimated total our grant reimbursement amount for the = original Central Kitsap Greenway grant, $75,000. "Transaction costs" = include a $13,000 cash payment to DNR for the property repairs needed to = be in compliance with Forest Practices (RMAP). DNR is NOT expecting = these funds at closing - but after the original RCO grant closes at the = end of June. Special Use Lease is to be assigned to us. KRRC has received and = processed ESTOPPEL. Need to also focus in on the Disposal of land process - with a deed or = with a PSA - with considerations and covenants.

Don Burger

From: Cathie Ames [cathiea@landtitleco.net]
Sent: Thursday, May 07, 2009 3:05 PM
To: Kevin M. Howell
Subject: RE: Final Newberry Hill Exchange Agreement

Thank you. We appreciate your business.

I will get the escrows opened and set up my files. I will let you know when I have a chance to review everything and get back to you with any comments/questions.

Cathie Ames,
Limited Practice Officer
Commercial Settlement Agent
9657 Levin Road NW
Silverdale, WA 98383
(800) 950-4321
(360) 692-4033
(360) 692-8669 (facsimile)

From: Kevin Howell [mailto:kmhowell@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 11:26 AM
To: cathiea@landtitleco.net
Cc: Chip Faver; Josh Brown; Matt Keough; Nancy Grennan; Shelley Kneip; Tracey Hamilton-Oril
Subject: Fwd: Final Newberry Hill Exchange Agreement

Hi Cathie.

It would appear that we are now ready to proceed with the county/DNR land exchange with the spin off of the shooting range property to the Kitsap Rifle and Revolver Club.

Attached is the latest draft of the exchange agreement for your reference. I have skimmed but not fully reviewed it but will do so promptly. It seemed best to get a copy to you without delay.

I will also forward a draft resolution that we will ask the county commissioners to execute at next Monday's public meeting.

Please give some thought to a laundry list of instructions that you will want for your records. I should have drafts of the assignment and conveyance agreement between Kitsap and KRRC as well as a bargain and sale deed with covenants for your review by Friday.

Thanks for your continuing assistance.

Kevin M. Howell
Deputy Prosecuting Attorney for Kitsap County
Civil Division
614 Division Street, MS-35A
Port Orchard, WA 98366
Email: kmhowell@co.kitsap.wa.us
Phone: (360) 337-7268

Fax: (360) 337-7083

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MFK

Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation
614 Division Street, MS-1
Port Orchard, WA 98366

(360) 337-5357
mkeough@co.kitsap.wa.us

>>> "NEFF, CINDY (DNR)" <CINDY.NEFF@dnr.wa.gov> 5/6/2009 1:41 PM >>>
1:40 pm, Wed, May 6, 2009

Hi Matt,

Here's the final Newberry Hill Exchange Agreement.

Cindy Neff
Asset Planning & Transactions
Dept. of Natural Resources
1111 Washington Ste SE
PO Box 47014, Olympia, WA 98504
360-902-1009 (office)
360-902-1789 (fax)
cindy.neff@dnr.wa.gov

WASHINGTON STATE DEPARTMENT OF
Natural Resources

NEWBERRY HILL EXCHANGE AGREEMENT

DNR Exchange No. 86- 081861

THIS AGREEMENT is made as of the ____ day of _____, 20__, by and between the STATE OF WASHINGTON, acting by and through the Department of Natural Resources (hereinafter referred to as "State") and Kitsap County Parks and Recreation Department (hereinafter referred to as "Exchanger").

WHEREAS, Exchanger is the owner of certain real property ("Exchange Property") located in Kitsap County, Washington; and

WHEREAS, State is the owner of certain real property ("State Property") located in Kitsap County, Washington; and

WHEREAS, Exchanger desires to acquire the State Property, and State desires to acquire the Exchange Property;

NOW, THEREFORE, in exchange for the mutual promises and covenants herein contained, and other good and valuable consideration, the mutual receipt and sufficiency of which is hereby acknowledged by Exchanger and State, it is agreed as follows:

SECTION 1 EXCHANGE PROPERTY

1.1 Conveyance. Exchanger shall convey and exchange to State, and State shall accept from Exchanger, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit A attached hereto and incorporated by this reference herein, together with the following:

(i) All rights, tenements, hereditaments, easements, associated tidelands, and appurtenances, including, but not limited to, any rights, title and interest of Exchanger in and to all trees, crops, oil, gas, sand, gravel, water rights, or mineral rights;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way;

(iii) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of Exchanger with respect to the property, and an assignment of all representations and warranties made therein to Exchanger.

SECTION 2 STATE PROPERTY

2.1 Conveyance. State shall convey and exchange to Exchanger, and Exchanger shall accept from State, all subject to the terms and conditions of this Agreement, that certain real property located in Kitsap County, Washington the legal description of which is set forth on Exhibit B attached hereto and incorporated by this reference herein together with the following

(i) All rights, tenements, hereditaments, easements, and appurtenances, including, but not limited to, any rights, title and interest of State in and to all trees, crops, rock, sand, gravel, or water rights subject to the reservations set forth in 2.2 and 2.3;

(ii) All improvements, if any, and other items located upon or within said real property;

(iii) All easements, rights-of-way and other rights used in connection with said real property, including but not limited to maintenance easements, rights to adjacent streets, roads, alleys and rights-of-way, and except as limited by the easement reserved under Section 2.3;

(iv) All permits, plans, licenses, surveys, consultant's reports (including appraisals) on all matters, including but not limited to soils, engineering, traffic, environmental matters, and wetlands made by, for or on behalf of State with respect to the property, and an assignment of all representations and warranties made therein to State.

2.2 Mineral Reservation. Pursuant to RCW 79.36.620, State reserves minerals in perpetuity for the State Property legally described in Exhibit B-1, said reservation to be in the form set forth on the Quit Claim Deed attached hereto as Exhibit B-4.

2.3 Easement Reservation. State reserves access over and across parcels S-1 and S-2, legally described on Exhibit B-2, for all purposes, said reservation to be in the form set forth in Exhibit B-3, unless otherwise agreed to by State in writing.

SECTION 3. EXCHANGE VALUE

3.1 Exchange Property Value. Based upon its evaluation of the value of the Exchange Property pursuant to RCW 79.17.010, the Department will request the Board of Natural Resources to establish the Exchange Property Value at Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00). The Exchange Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the Exchange Property at less than Two Million Three Hundred Thirty Five Thousand Dollars ($2,335,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

3.2 Cash and Services Value. Pursuant to the authority granted to State under RCW 79.17.010 during the biennium ending June 30, 2009, Exchanger shall pay cash to the State in the amount of up to Fifty Thousand Dollars ($50,000.00) to reimburse State for its actual administrative costs incurred to facilitate this exchange, and Thirteen Thousand Dollars ($13,000.00) to reimburse State for Road Maintenance and Abandonment costs associated with the Exchange Property. Said cash amount shall be paid by Exchanger to Escrow Company prior to closing. This cost reimbursement shall be deposited into the resource management cost account or the forest development account upon closing, to be determined by the proportion of costs incurred by the trusts benefitting from the respective accounts. In the event the exchange fails to close because either party exercises a right to terminate for failure of a contingency as provided herein, this amount shall be refunded to Exchanger.

3.3 State Property Value. The Department will request the Board of Natural Resources to establish the State Property Value at Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00). The State Property Value will be the value as established by the Board of Natural Resources. If the Board of Natural Resources establishes the value of the State Property Value at less than Two Million Three Hundred Twenty Five Thousand Dollars ($2,325,000.00), this Agreement shall terminate and shall be of no further force or effect without further obligation of either party, with each party bearing its own costs and expenses, including attorney's fees, related to this Agreement.

SECTION 4 CLOSING

4.1 Closing Date. "Closing," "Closing Date" or "Date of Closing" as those terms are used herein, shall mean the date upon which all documents are recorded and monies paid to complete the exchange contemplated herein. The Date of Closing shall be as soon as practicable to

facilitate an orderly closing but no later than June 25, 2009 unless otherwise agreed in writing by the parties.

4.2 Escrow. This transaction shall be closed in escrow at Land Title Company of Kitsap County, 9657 Levin Road N.W., Suite 100, Silverdale, WA 98383 ("Escrow Company") which shall be arranged by State within ten (10) days of execution of this Agreement. The parties shall deposit the necessary documents and funds in escrow sufficiently in advance of the Closing Date to facilitate an orderly closing. State and Exchanger shall each pay one-half of the Escrow Company's fee.

SECTION 5 CONVEYANCE, TITLE INSURANCE AND POSSESSION.

5.1 Possession. The parties shall be entitled to possession of the property on the Closing Date, and each party shall have a right of entry pursuant to Section 6 below.

5.2 Form of Deed. On the Closing Date, Exchanger shall convey title to the Exchange Property to State by Statutory Warranty Deed substantially in form as set forth in Exhibit A-1, and State shall convey the State Property to Exchanger by Quitclaim Deed substantially in form as set forth in Exhibit B-4.

5.3 Title Insurance. This Agreement is conditioned upon each party accepting title as set forth below.

(a) State has obtained a preliminary commitment for an ALTA Owner's Standard Coverage Policy of title insurance (hereafter "Preliminary Commitment"). Exchanger agrees to pay the cost of title insurance for the Exchange Property and warrants that Exchanger's Title to the Exchange Property to be good, marketable and insurable subject only to such exceptions approved by State.

(b) State shall not furnish insurance insuring title to the State Property. Exchanger shall be responsible for procuring title insurance for the State Property at Exchanger's sole expense. Exchanger's sole remedy for title defects shall be termination of this Agreement as set forth below. To exercise the termination rights set forth in subsection (d) Exchanger must obtain a Preliminary Commitment of title insurance within fifteen (15) days after the date of this Agreement.

(c) Within thirty (30) days of its receipt of the Preliminary Commitment, or the Date of this Agreement whichever is later, each party must notify the other in writing of any exceptions thereto which are wholly or conditionally acceptable (hereafter "Title Notice"). Following giving of Title Notice, if additional encumbrances affecting either property arise, the party acquiring the affected property shall have twenty (20) days from receipt thereof to review and approve these additional items. Failure to so approve in

writing any exception to title shown in the Preliminary Commitment or arising thereafter shall be deemed to be a disapproval of such exception.

(d) State (without obligation) and Exchanger (by the exercise of its reasonable efforts and with due diligence) shall, prior to or at the Closing Date, at its sole cost and expense, undertake to remove, eliminate or modify any exceptions not acceptable to the other party; provided that in the event Exchanger or State is unable to cure such objections, Exchanger or State shall so advise the other party in writing within five (5) days following the expiration of the review period described in Section 5.3(c) above and thereafter the affected party shall have ten (10) days within which to make an election to accept such encumbrance or terminate and cancel this Agreement. This election shall be made in writing to the other party within said ten (10) day period. A failure to give such written election within said ten (10) day period shall be deemed an election by said party to reject the status of the title and to terminate this Agreement. Upon such termination, the rights and obligations of the parties shall terminate and any monies deposited by a party pursuant to this Agreement shall be returned to the party depositing the same.

(e) On the Closing Date, Exchanger shall cause the Title Company to insure title to the Exchange Property in the name of State in the amount of State's appraised value of Exchange Property, subject only to the exceptions contained in the ALTA Owner's Policy Form, and the exceptions set forth in the Preliminary Commitment which are accepted by State.

SECTION 6 RIGHTS AFTER ACCEPTANCE

6.1 Inspection. After the Date of this Agreement, each party shall permit the other and/or its designated agents to enter upon the property at all reasonable times for the purpose of conducting environmental assessments and investigating the property and the physical condition thereof, including, without limitation, soil, water, and air conditions, and the condition of improvements, if any, upon the property. Inspections by either party shall not be construed as estopping actions upon any warranty made herein.

6.2 Studies.

(a) Studies. Each party shall have the right to prepare, or have prepared, appraisals, market and engineering studies, soils tests, feasibility studies, surveys, resurveys or survey updates, environmental investigations and such other tests, studies or investigations (all of which are collectively referred to as the " Studies") with respect to the property to be received. Each party shall be solely responsible for costs of all the Studies obtained by that party.

(b) Termination Rights. If a party determines, at its sole discretion, that the Studies indicate the property to be received is not suitable for the intended use by that party or the property presents risk of liability unacceptable to that party, that party may terminate this

Agreement without further obligation. Neither party makes any warranty as to the accuracy of the Studies, and no studies or information have been relied upon by either party unless expressly identified in this Agreement.

6.3 Subsequent Acts. Between the Date of this Agreement and the Closing Date, each party shall maintain their property and keep it in condition at least as good as on the Date of this Agreement. Neither party shall remove, or allow to be removed, any timber, harvestable crop, improvements, minerals, sand, gravel, or other item from the property after the Date of this Agreement without prior, written approval by the other party.

SECTION 7 CONTINGENCIES

7.1 State Approval. This Agreement is contingent on approval by the Board of Natural Resources, in its sole discretion, to determine this exchange is for one or more of the purposes enumerated in RCW 79.17.010(1), acting in the best interests of the trusts, and further subject to the Board's confirming this Agreement involves an exchange of equal based upon the Exchange Property Value and State Property Value. If, on or before the thirtieth (30th) day after the Date of this Agreement, State has not delivered to Exchanger a written notice of the Board of Natural Resources' approval (Approval Notice) to consummate the acquisition of the Exchange Property, then State or Exchanger may terminate this Agreement by giving written notice of termination (Termination Notice) to the other party. The right of termination shall not be effective if Exchanger receives the Approval Notice prior to Exchanger sending the Termination Notice.

7.2

7.2.1 Exchanger's Conditions. The obligations of the Exchanger under this Agreement are subject to and contingent upon the following:

a) The conveyance by State to Exchanger of the State Property by Quitclaim Deed, with mineral rights reservations, as described in Section 5.

7.2.2 State's Conditions. The obligations of State under this Agreement are subject to and contingent upon the following:

a) The conveyance by Exchanger to State of the Exchange Property by Statutory Warranty Deed, as described in Section 5; and

b) The termination of the conservation easement attached hereto as Exhibit D, pursuant to the authority granted therein for the substitution of other conservation land, in a manner satisfactory to State.

7.2.3 Mutual Conditions. The obligations of both Exchanger and State under this Agreement are further subject to and contingent upon the following:

(a) The truth and accuracy as of the Closing Date of all representations and warranties set forth in this Agreement or in any instrument or document delivered hereunder.

(b) The delivery on or prior to the Closing Date of all documents and instruments required by the terms of this Agreement.
(c) The performance on or prior to Closing of all acts required under this Agreement.
(d) The absence at Closing of any violation of any federal, state or local law, rule, regulation or ordinance affecting the use, occupancy or condition of the Exchange or State Property.
(e) The absence at Closing of any failure to comply with the order of any court, government authority or agency pertaining to the Exchange or State Property or the use, occupancy or condition thereof.
(f) The absence at Closing of any proceeding or threat of any proceeding to condemn all or any part of the Exchange or State Property by a proceeding in eminent domain.
(g) Conveyance of acceptable title as provided in Section 5.
(h) Approval of the Studies pursuant to Subsection 6.2.
(i) Mutual execution of State's Easement Reservation pursuant to Section 2.3.
(j) Mutual execution of State's assignment of the Kitsap Rifle and Revolver Club lease to Exchanger, substantially in the form attached hereto as Exhibit A-2.

7.3 Waiver. If any condition specified in Section 7.2 is not met at Closing, a party may waive such condition in writing or it may terminate this Agreement without any further liability, provided that any waiver of condition 7.2.2(b) shall not occur without an update to the appraisal confirming that the Exchange Property Value set forth in Section 3.1 would not be reduced as a result of the failure to terminate the conservation easement identified in Section 7.2.2(b).

7.4 Refund. Upon termination under subsection 7.1 or 7.2, any monies deposited pursuant to this Agreement shall be promptly returned to the party depositing the same.

SECTION 8 REPRESENTATIONS AND WARRANTIES OF EXCHANGER

Exchanger makes the following representations and warranties to State. Each of these representations and warranties is material and is relied upon by State. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

8.1 Title. Title to the Exchange Property is vested in Exchanger.

8.2 No Liabilities. There exists upon the Exchange Property no condition which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records which affects the Exchange Property.

8.3 Correctness. The accuracy and truthfulness of all information furnished by Exchanger to State with respect to the Exchange Property excluding Studies.

8.4 Litigation. There is no pending or threatened litigation affecting the Exchange Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither Exchanger nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

8.5 Condition of Exchange Property. Exchanger represents and warrants the following: a) there are no apparent or latent defects in the Exchange Property; b) the Exchange Property does not contain any underground storage tanks, surface impoundments, asbestos or asbestos-containing material, or polychlorinated biphenyls (PCBs) or PCB-containing materials, past or present refuse dump sites, chemical storage sites, areas of heavily stained soil or sites known hazardous materials releases other than those indicated and described by exhibit attached hereto, which is a full representation of such conditions; and c) the Exchange Property is free from the presence of hazardous waste or materials and no hazardous waste or materials have been generated, stored, released, disposed of, or transported over, on or within the Exchange Property. The term "hazardous waste or materials" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state or local statute, regulation, rule or ordinance now in effect, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq., and the Model Toxics Control Act, RCW 70.105D. Exchanger has no undisclosed knowledge of any fact or condition that would materially impair the market value of the Exchange Property, would materially increase the cost of operating the Exchange Property or would be inconsistent with the terms of this Agreement.

8.6 Authorization. Exchanger has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by Exchanger will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

8.7 No Real Estate Agent. Exchanger has engaged no real estate agent or broker in connection with this transaction.

8.8 Appraisal Fees Paid. Exchanger has paid all appraiser's fees and charges associated with appraising the Exchange Property and State Property.

SECTION 9 REPRESENTATIONS AND WARRANTIES OF STATE

State makes the following representations and warranties to Exchanger. Each of these representations and warranties is material and is relied upon by Exchanger. Each of the representations and warranties shall be deemed accurate through Closing and shall survive Closing.

9.1 No Liabilities. The State has no actual knowledge of any condition upon the State property which is in violation of any statute, ordinance, regulation or administrative or judicial order or holding, whether or not appearing in the public records that affect the State Property.

9.2 Correctness. To the best of State's knowledge, the information furnished by State to Exchanger with respect to the State Property, excluding Studies, is true and accurate.

9.3 Litigation. The State has received no actual notice of pending or threatened litigation affecting the State Property or any portion thereof, including but not limited to alleged violation of federal, state or local environmental laws. Neither State nor its predecessors have received any notice relating to a breach or suspected breach of any environmental laws.

9.4 Authorization. State has the right and authority to enter into this Agreement and all documents contemplated by this Agreement, to make the representations and warranties set forth herein and to perform this Agreement in accordance with its terms. Neither the execution of this Agreement nor its performance by State will conflict with or result in the breach of any mortgage, deed of trust, encumbrance, restriction, covenant, agreement or other undertaking whatever.

SECTION 10 INDEMNITY AND HOLD HARMLESS

Exchanger agrees to indemnify, defend with counsel acceptable to State, and hold harmless the State, its agencies, employees, officers and agents from (a) all liabilities, losses, claims, demands, damages, assessments, costs and expenses (including reasonable attorneys' and consultants' fees) of every kind (hereafter "Liabilities") resulting from, arising out of or relating to the breach by Exchanger of any of its representations, warranties, or covenants contained in this Agreement and (b) all Liabilities arising under, resulting from or arising out of any activities of Exchanger, its agents, employees, contractors, subcontractors, permittees, or licensees at the Exchange Property prior to or at Closing.

SECTION 11 DESTRUCTION OR CONDEMNATION

Each party shall bear the risk of loss associated with its property prior to Closing. If, on or before the Closing Date, either property is materially damaged, or condemnation proceedings are commenced with respect to a property, the party receiving that property shall have the right, at its sole election, by giving notice to the other, either to terminate this Agreement or to exchange the property in accordance with this Agreement. If a party elects to terminate this Agreement, all rights and obligations of the parties shall terminate. If a party elects to exchange the property in accordance with this Agreement, the party receiving the damaged or condemned property shall be entitled to all insurance proceeds or condemnation awards payable by reason of such damage or condemnation. Each party shall immediately give notice to the other upon the occurrence of any damage to their property or the initiation of any condemnation proceedings affecting their

property. The term "material damage" as used in this section shall mean any damage or destruction which exceeds three percent (3 %) of the value of the Property.

SECTION 12 CLOSING AND CLOSING COSTS

Prior to or on the Closing Date, Exchanger and State shall deposit the following documents and funds in escrow, to be closed in accordance with the instructions of State and Exchanger consistent with this Agreement:

12.1 Exchanger Obligations. Exchanger shall deposit the following:

(a) Duly executed and acknowledged Statutory Warranty Deed conveying the Exchange Property to State and a Real Estate Excise Tax Affidavit;

(b) Funds necessary to reimburse State for administrative and other costs as specified in Section 3.2;

(c) Assumption of leases and contracts, substantially in form set forth in Exhibit A-2, including Special Use Lease No 60-B068979 shown in Exhibit A-3;

(d) If Exchanger is a corporation or partnership, a certified resolution authorizing the execution of all documents delivered at the Closing;

(e) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by all future owners for existing State forested parcels;

(f) Signed acceptance of the Easement Reservation set forth in Exhibit B-3; and

(g) Such other funds or documents, including without limitation, closing instructions as required of Exchanger to close the exchange in accordance with this Agreement.

12.2 State Obligations. State shall deposit the following:

(a) Duly executed and acknowledged Quit Claim Deed conveying the State Property to Exchanger and a Real Estate Excise Tax Affidavit;

(b) Tenant Estoppel Statements from all current State tenants using format acceptable to State and being similar to Exhibit B-5;

(c) Signed acceptance of Continuing Forestland Obligations form (Exhibit C) by State for existing Exchanger forested parcels; and

(d) Such other funds and documents, including without limitation, closing instructions as are required of State to close the exchange in accordance with this Agreement.

12.3 Prorations. All rents and other income, if any, and water, sewer, utility and maintenance charges, and any other expenses with respect to the operation of the properties shall be prorated between Exchanger and State as of the Closing Date, and to the extent information then available, such proration shall be made as of the Date of Closing. Such proration shall be adjusted and completed after the Closing Date as and when complete information becomes available, and State and Exchanger agree to cooperate and use their best efforts to complete such prorations not later than sixty (60) days after the Closing Date. No insurance prorations shall be made. Each party shall pay any assessments charged against their property in full prior to or at Closing unless otherwise agreed in writing. Exchanger shall pay all real estate taxes and personal property taxes related to the Exchange Property, if any, through the Date of Closing. In the event Exchanger has prepaid any real estate taxes, Exchanger may seek a refund from the appropriate county official; State shall have no obligation to refund or pay any such amount to the Exchanger. Exchanger shall pay any real property excise tax due, and the cost of any revenue stamps, if applicable, required to complete this transaction. Each party will pay their own recording fees. Proration for cash rentals for leases will be as of the date of actual closing.

12.4 Compensating Tax. Exchanger shall pay any and all compensating tax, if applicable, as defined under chapters 84.33 RCW or 84.34 RCW that may come due as a result of this transaction.

SECTION 13 CONTINUING FORESTLAND OBLIGATIONS

Exchanger and State acknowledge that the State Property and the Exchange Property are subject to certain continuing forestland obligations applicable to the properties under the forest practices rules adopted pursuant to RCW 76.09.070, including but not limited to the continuing obligations, if any, listed on the notice which is attached hereto as Exhibit C (the "Continuing Obligations"). At or before Closing, Exchanger and State each agree to sign and deliver to the other originals of the notice attached hereto as Exhibit H or such other notice that indicates the Exchanger's and State's knowledge of the Continuing Obligations as may be required by the Washington Department of Natural Resources ("DNR") at the time of Closing. At Closing, Exchanger and State shall each send the executed notice(s) to the appropriate DNR region office of jurisdiction, in accordance with the requirements of RCW 76.09.390. As of Closing, Exchanger and State each assume and agree to perform the Continuing Obligations at their sole cost and expense in a timely fashion.

SECTION 14 SURVIVAL

The representations, warranties, indemnification and obligations (to the extent such obligations are not fully performed at closing) contained herein are intended to survive closing and shall be deemed not to have merged into the deeds.

SECTION 15 REAL ESTATE COMMISSION

Exchanger shall pay any real estate commission payable in connection with this transaction. Any real estate agent or broker acting in this transaction shall be deemed to be the sole agent of Exchanger.

SECTION 16 NOTICES

All notices required or permitted to be given hereunder shall be in writing and shall be deemed given three (3) days following delivery in the United States certified mail, return receipt requested, postage prepaid, or on the date sent via facsimile as follows:

To Exchanger:
Matthew F. Keough
Parks Planning Project Manager
Kitsap County Parks and Recreation Department
614 Division Street, MS-1
Port Orchard, WA 98366

To State:
Brad Pruitt
Transactions Manager
South Puget Sound Region
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

With Copy to:
Cindy Neff
Property and Acquisition Specialist
Asset Management and Recreation Division
Department of Natural Resources
1111 Washington St SE
PO Box 47003
Olympia, WA 98504-7003

The foregoing addresses may be changed by written notice.

SECTION 17 MISCELLANEOUS

17.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties. No other prior and contemporaneous negotiations, understandings and agreements, whether oral or written shall be deemed to exist or bind any of the parties hereto.

17.2 Binding Nature. All rights and obligations arising out of this Agreement shall inure to the benefit of and be binding upon the respective successors, heirs, assigns, administrators, executors and marital communities, if any, of the parties hereto.

17.3 Washington Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

17.4 Time of the Essence. Time is of the essence of this Agreement. No waiver or consent to any breach or other default in the performance of any of the terms of this Agreement shall be deemed to constitute a waiver of any subsequent breach of the same or any other term or condition hereof. In the event time for performance falls on a weekend or legal holiday designated by the United States or Washington State, performance shall be deemed to be timely rendered if so rendered on the next business day.

17.5 Captions. The captions and section headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any section.

17.6 Invalidity. If any provisions of this Agreement shall be invalid, void or illegal, it shall in no way affect, impair or invalidate any of the other provisions hereof.

17.7 Counterparts. This Agreement may be signed in counterparts, any one of which shall be deemed an original.

17.8 Date of Agreement. The Date of this Agreement shall be the date on which the last party executes this Agreement. Said date shall be inserted on the first page hereof when such date is determined.

17.9 Good Faith. Both parties shall act reasonably and in good faith in order to consummate this transaction, and neither party shall sell nor dispose of any of the property nor cause or suffer the creation of any matter of record, or defect in the title to the property for the purpose of avoiding its obligation to close.

17.10 Default. In the event that either party defaults in the performance of any of that party's obligations under this Agreement, the non-defaulting party shall have all remedies available in law or equity, but neither party shall be liable for consequential damages.

17.11 Assignability. This Agreement shall not be assigned without the prior written consent of the other party.

17.12 Advice of Counsel. Exchanger acknowledges that it has had an opportunity to seek independent legal advice regarding the transaction.

17.13 Recording. Either party may file a memorandum of the Agreement with the county auditor.

17.14 Exhibits. The following exhibits are attached and shall be incorporated into this Agreement by reference.

Exhibit A	Legal Description for Exchange Property
Exhibit A-1	Statutory Warranty Deed
Exhibit A-2	Assignment and Assumption of Lease
Exhibit A-3	Kitsap Rifle and Revolver Club Lease
Exhibit B	Legal Description for State Property
Exhibit B-1	Form of State's Mineral Reservation
Exhibit B-2	Legal Description of State Reserved Easement Parcels
Exhibit B-3	Form of State's Easement Reservation
Exhibit B-4	Quit Claim Deed
Exhibit B-5	Tenant Estoppel Certificate
Exhibit C	Notice of Continuing Forest Obligation
Exhibit D	Conservation Easement

17.15 Future Access. After Closing, if other rights are needed to provide access to the lands exchanged hereunder, State and Exchanger will cooperate by granting such easements, temporary permits, or licenses as needed with reasonable compensation to be agreed upon by the parties. This subsection 17.15 (c) is intended as a memorandum of understanding only and is not intended as a term of this Agreement. Failure of either party to honor this understanding will not be considered a breach of this Agreement nor grounds to invalidate this Agreement.

17.16 Submission. This Agreement must be executed by Exchanger, and an original delivered to State, at the address set forth in this Agreement, on or before 4:00 p.m. on May 8, 2009, to be considered by State. This Agreement shall not be binding upon State until signed by an authorized representative of State.

IN WITNESS WHEREOF, the parties have executed this Agreement the date and year set forth opposite their respective names.

EXCHANGER:

KITSAP COUNTY PARKS AND RECREATION DEPARTMENT

Date: _____, 2009.

_____

By:_____

Title:_____

STATE:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 2009.

_____
Peter Goldmark
Commissioner of Public Lands

Exchange Agreement
Approved as to Form this ____ day of
_____, 2009.

_____
Assistant Attorney General
State of Washington

[CORPORATION NOTARY]

ACKNOWLEDGMENT

STATE OF)
)ss
COUNTY OF)

On this _____ day of _____, 20 __, personally appeared before me _____to me known to be the _____ of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that **he/she/was** **they were** authorized to execute said instrument for said corporation and that the seal affixed is the corporate seal of the said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____
Notary Public in and for the State of
_____, residing at _____.

My appointment expires _____.

[COMMISSIONER NOTARY]

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
County of Thurston)

On this _____ day of _____, 2009, personally appeared before me PETER GOLDMARK, to me known to be the Commissioner of Public Lands, and ex officio administrator of the Department of Natural Resources of the State of Washington, the Department that executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the official seal of the Commissioner of Public Lands for the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

_____
Notary Public in and for the State of
Washington, residing at _____.

My appointment expires _____.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A

Kitsap County property to be conveyed to State

PARCEL I:

THE NORTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL II:

THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL III:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IV:

THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL V:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VII:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL VIII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 1, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL IX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL X:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XI:

THE EAST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XII:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIII:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIV:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XV:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVI:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVII:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XVIII:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XIX:

THE WEST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XX:

THE EAST HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXI:

THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXII:

THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIII:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXIV:

THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, SECTION 11, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXV:

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVI:

THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, SECTION 12, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

PARCEL XXVII:

THAT PORTION OF PARCEL B CONVEYED BY STATUTORY WARRANTY DEED UNDER AUDITOR'S FILE NO. 200404190409 DESCRIBED AS: THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, BEING THAT PORTION OF GOVERNMENT LOT 13, SAID SECTION 2,

EXCEPT THAT PORTION LYING WITHIN THE PLAT OF WILDCAT LAKE TRACTS, ACCORDING TO THE PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 31, RECORDS OF KITSAP COUNTY, WASHINGTON.

PARCEL XXVIII:

THAT PORTION OF GOVERNMENT LOT 8, SECTION 2, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF SAID GOVERNMENT LOT 8 (ALSO BEING THE EAST QUARTER CORNER OF SAID SECTION 2); THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 2, A DISTANCE OF 400 FEET; THENCE WEST TO THE EAST LINE OF NW WILDCAT LAKE ROAD; THENCE NORTHERLY ALONG SAID EAST LINE OF NW WILDCAT LAKE ROAD TO THE NORTH LINE OF SAID GOVERNMENT LOT 8; THENCE EAST ALONG SAID NORTH LINE TO THE POINT OF BEGINNING.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-1
Statutory Warranty Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

STATUTORY WARRANTY DEED
Kitsap County

Grantor:	KITSAP COUNTY PARKS AND RECREATION
Grantee:	STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES
Legal Description:	NW4SW4, NE4SW4, SW4SW4, SE4SW4 of 1-24N-1W, and NE4NE4, SE4NE4, NE4SW4, SE4SW4, NW4SE4, NE4SE4, SE4SE4, SW4SE4 of 11-24N-1W, and NW4NW4 of 12-24N-1W and SE4SE4 and Govt. Lot 8 of 2-24N-1W.
Tax Parcel Number:	012401-3-001-1001, 012401-3-002-1000, 012401-3-003-1009, 012401-3-004-1008, 012401-3-005-1007, 012401-3-006-1006, 012401-3-007-1005, 012401-3-008-1004, 112401-1-016-1006, 112401-1-017-1005, 112401-1-018-1004, 112401-1-019-1003, 122401-2-007-1004, 122401-2-008-1003, 112401-3-027-1009, 12401-3-028-1008, 112401-4-001-1007, 112401-4-002-1006, 112401-4-003-1005, 112401-4-004-1004, 112401-3-029-1007, 112401-3-030-1004, 112401-4-005-1003, 112401-4-006-1002, 112401-4-007-1001, 112401-4-008-1000, 022401-4-025-1000, And 022401-4-002-1007.

THE GRANTOR, KITSAP COUNTY PARKS AND RECREATION, for and in consideration of the conveyance by the State of Washington of real property of equal value, hereby conveys and warrants to the STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES, GRANTEE, the real property situated in Kitsap

County, State of Washington, more particularly described in the attached Exhibit A and subject to the exceptions and encumbrances set forth in the attached Exhibit B.

Dated this _____ day of _____, 20___.

By _____

Title _____

DNR Exchange No. 86- 081861

Exhibits
Ackowledgement

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT A-2

(Form of Assignment of Lease Agreement)

After Recording Return To:
Department of Natural Resources
Asset Management and Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Agreement is between the State of Washington, acting through the Department of Natural Resources ("Assignor") and Kitsap County ("Assignee").

Assignor will transfer certain real property to the Assignee, the legal description which is contained in that certain lease between State of Washington as landlord and KITSAP RIFLE AND REVOLVER CLUB as lessee dated November 17, 2003 under Lease No. 60-B068979. Assignor wishes to assign its rights under the lease as landlord to Assignee and Assignee is willing to assume all of Assignor's obligations under the lease.

NOW THEREFORE, the parties agree as follows:

1. Assignment. Assignor hereby assigns to Assignee all of Assignor's rights, obligations and interests in and to the lease.

2. Assumption. Assignee hereby assumes any and all of Assignor's obligations arising under the lease after the date of this assignment and agrees to indemnify Assignor against and hold Assignor harmless from any and all liabilities, costs, losses, damages, claims or expenses, including, without limitation, reasonable attorney's fees, arising out of the obligations assumed herein.

ASSIGNOR
State of Washington
Department of Natural Resources

_____

_____
Date

ASSIGNEE

_____

_____
Date

CONSENT AND RELEASE

The lessee, _____, hereby consents to the transfer of the property to Assignee subject to the lease and releases Assignor from any and all liability arising under the lease after the date of this agreement.

LESSEE

_____

_____
Date

Pre-approved as to Form
February 12, 2001 by
James Schwartz
Assistant Attorney General

EXHIBIT A-
3

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
DOUG SUTHERLAND, Commissioner of Public Lan

SPECIAL USE LEASE

Lease No. 60-B068979

BY THIS LEASE (hereinafter "Agreement"), the STATE OF WASHINGTON, Department of Natural Resources, (hereinafter "State") leases to KITSAP RIFLE AND REVOLVER CLUB (hereinafter "Lessee") the premises in Kitsap County, Washington, the legal description of which is set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. Said premises and rights leased hereby are hereinafter referred to as the "Premises".

SECTION 1 OCCUPANCY

1.01 Lease Term. This Agreement shall commence on March 1, 2003 ("Commencement Date") and expire on February 27, 2018.

1.02 No Warranty of Quiet Enjoyment. State makes no warranty of quiet enjoyment of the Premises.

1.03 Condition of Premises. Lessee has had an opportunity to inspect Premises and enters into this Agreement solely in reliance on Lessee's own examination and not by reason of any representation by State. Premises are accepted in its present condition "AS IS WHERE IS". No reliance shall be placed on any opinion, material, or information provided by or through State, and Lessee does so at its own risk, cost and expense.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this Agreement, the following uses and no other uses are permitted:

Intensive use and occupancy containing Lessee's improvements, roads, parking areas, open shooting range, targets, and associated infrastructure.	8 Acres
Timberlands, wetlands and similar resource-oriented lands passively utilized by Lessee to provide buffer and safety zones for Lessee's shooting range.	64.41 Acres

In the event the Lessee desires a change in acreage or use, authorization must be obtained in advance and in writing from the State. Approval may be conditioned upon adjustment of the payment in accordance with changes in acreage or use.

SECTION 3 PAYMENT

Payments made hereunder will be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

3.01 Rent. The Lessee shall pay to the State, at Olympia, Washington 98504, in advance, the required rent of $7,200.00 for the period of March 1, 2003 to February 27, 2004 and annually thereafter subject to adjustment under Subsection 3.06.

3.02 Leasehold Tax. Lessee shall pay to State, the leasehold tax as set forth in RCW Chapter 82.29A - Leasehold Excise Tax as may be amended. The tax shall be due and payable at the same time the rental charged herein is due and payable.

3.03 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected, except as expressly provided in Subsection 13.06 (Condemnation).

3.04 Interest Charged for Past-Due Rent and Other Sums Owed. Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the Commencement Date hereof), until paid, on rent or other sums owing under the terms of this Agreement commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this Agreement, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.05 Late Charge for Failure to Pay. In the event the Lessee fails to make any payment of rent due hereunder upon the date due, the State shall be entitled to collect from the Lessee a late charge equal to six percent (6%) of the amount of the delinquent payment. Any failure to pay rent or any amount specified in this Section 3, or any other amount to be paid by the Lessee under terms of this Agreement within thirty (30) days of the date due, shall be a material default hereunder by the Lessee and such default shall entitle the State to pursue all remedies specified in this Agreement, including the right to terminate this Agreement, though failure to exercise such right shall not be construed as a waiver of the right and thereafter pursue any remedies available at law or equity, including those contained in Chapter 59.12 RCW.

3.06 Adjustment of Rent. Beginning on the fifth anniversary of the Commencement Date, and at intervals of five (5) years thereafter (the "Adjustment Date"), a new annual rental will be established. In no event will the adjusted annual rental be less than the previous annual rental. Adjusted rental values established after the designated Adjustment Date shall be due retroactive to such Adjustment Date. The method for such adjustment shall be selected solely by the State from the following options:

(a) Increase of the current annual rent by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), US City Average (1982-84=100), between the date five (5) years previous to the Adjustment Date and the Adjustment Date, i.e., adjusted rental amount equals current annual rent times CPI as of current Adjustment Date divided by CPI as of date five (5) years previous. In the event the CPI ceases to be published, the State may substitute such other comparable cost of living index as then may be in publication by a comparable governmental agency.

(b) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through evaluation of pertinent market evidence by State lease administrator and/or other appropriate State personnel.

(c) Determination of fair market value of the Premises within six (6) months before or after the Adjustment Date through formal appraisal by State's appraiser, certified general appraiser under contract with the State, or such other appraiser as may be agreed to by State. Such appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Institute.

The market value will be determined exclusive of Lessee's improvements and as though ownership were in fee simple, not encumbered by lease.

Under (b) and (c) above, the new annual rental above shall be computed by multiplying the market value of the Premises by the then current Prime Rate as of the Adjustment Date plus 200 basis points (Prime Rate + 2.0%). The term "Prime Rate" shall mean the Prime Rate as published in The Wall Street Journal from time to time (or the average Prime Rate if more than one is published), any change in such Prime Rate to effect a change in the rate charged hereunder on the date of each such change. If The Wall Street Journal ceases to be published or ceases to publish a Prime Rate, then State shall designate another nationally recognized business publication which publishes such a rate or such rates which does, in the reasonable opinion of State, represent the "Prime Rate" as defined herein.

3.07 Failure to Adjust Not Waiver. Failure of State to adjust rent pursuant to Subsection 3.06 above at the end of any five (5) year period, shall not be a waiver by State of the right to adjust rent at the end of any subsequent five (5) year period. State shall retain the right, for so long as this Agreement remains in effect, to adjust rent as of the end of any five (5) year period, as though all prior adjustments had been made in accordance with the above provisions.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this Agreement. Failure to inspect or enforce compliance shall not be construed as a waiver of the State's right to declare a breach, nor relieve Lessee of any liability to the State for any breach of the terms, conditions, or requirements of this Agreement.

4.02 Compatible Uses. State reserves for itself, its successors and assigns, the right at all times for any purpose to cross and re-cross the Premises at any place or grade, to grant easements/licenses over or leases to the Premises, to sell, or otherwise dispose of minerals, coal, oil, timber, gas, or other valuable materials from the Premises insofar as the State's activities on the Premises and any grant of rights the State makes to any person or entity shall not unreasonably interfere with the activities permitted hereunder.

4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.

SECTION 5 SPECIAL RESTRICTONS

5.01 Permits and Conformance With Laws.

(a) Lessee shall obtain all building permits and other required permits, licenses, permissions, consents, and approvals from governmental agencies or third parties in connection with this Agreement and Lessee's permitted use including construction of any improvements, changes, alterations, additions, repairs, maintenance to or replacement of the Premises, or for the conduct of any business upon the Premises at the sole cost and expense of Lessee. Copies of such permits, licenses, permissions, consents, and approvals shall be supplied to State on request.

(b) Lessee shall conform to all applicable laws, regulations, permits, orders, or requirements of any public authority affecting the Premises and the use thereof, and shall correct at the Lessee's own cost and expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use. In no event shall Lessee undertake or suffer any activity to be conducted upon the Premises which constitutes a nuisance or which is a threat to the health or welfare of the general public.

(c) Lessee shall cause all work on the Premises and all business conducted thereon during the term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction.

5.02 Other Restrictions on Use.

(a) Lessee shall cut no State timber or remove State-owned valuable material, without prior written consent of the State. Prior to State's authorization for the cutting of timber, or removal of valuable material, the Lessee must pay to the State the fair market value of the timber or valuable material, as determined by the State.

(b) Lessee shall take all reasonable precautions to protect the land and improvements on the Premises from fire, make every reasonable effort to report and suppress such fires as may affect the Premises, and shall be subject to applicable fire laws affecting the Premises.

(c) Lessee shall prevent accumulation of equipment parts or "bone yards" on the Premises.

(d) This Agreement does not convey rights to media uses, communication sites, or any use on the Premises other than those expressly stated in this Agreement.

5.03 Habitat Conservation Plan. The Premises are located within an area that is subject to State's Habitat Conservation Plan adopted in connection with Incidental Take Permit No. PRT-812521 (ITP) as supplemented by Permit No. 1168 (Collectively "ITP"). As long as the Habitat Conservation Plan remains in effect, Lessee and all persons acting under Lessee shall comply with the terms and conditions set forth in Exhibit 5A while operating on the Premises. State shall have the right to modify these terms and conditions from time to time to comply with the Habitat Conservation Plan, the ITP, the Endangered Species Act, the implementing regulations, and amendments thereto, or the requirements of the federal agencies administering these laws.

SECTION 6 UTILITIES, TAXES, LIENS

6.01 Utilities and Maintenance. During the term of this Agreement, Lessee shall pay all expenses incurred by Lessee in the use, enjoyment, and operation of the Premises, including, but not limited to, utility charges and all costs of maintaining and repairing the Premises and all improvements thereon whether now existing or hereafter installed. Lessee shall indemnify and hold the State harmless against any loss, liability, or expense resulting from any failure of Lessee to pay all such charges when due.

6.02 Taxes and Assessments.

(a) Lessee shall pay during the term of this Agreement all taxes and other governmental charges of any kind applicable or attributable to the installation of Lessee owned improvements on the Premises, Lessee's leasehold interest therein, and Lessee's use and enjoyment thereof.

(b) Lessee shall pay its prorated share of all assessments that are legally required to be paid now or may be charged during the Agreement term to the Premises or Lessee owned improvements thereon. Lessee shall not cause or suffer the imposition of any assessment upon the Premises without the prior written consent of State. In the event any new assessment is proposed which affects the Premises, Lessee shall immediately notify State of such proposal after Lessee has knowledge or receives notice thereof. Any assessment upon the Premises shall be made in compliance with all applicable statutes, including, but not limited to, Chapter 79.44 RCW.

6.03 Lessee Liens. Lessee shall not suffer or permit any lien to be filed against the State's interest in the Premises, or improvements thereon by reason of work, labor, or services performed thereon or materials supplied to, by or through the Lessee. If any such lien is filed, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in

writing by the State in advance. Lessee shall indemnify the State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to termination or cancellation of this Agreement.

SECTION 7 LESSEES INDEMNITY; INSURANCE REQUIREMENTS

7.01 Indemnity. Lessee releases and shall indemnify and defend (with counsel acceptable to State) State, its employees, officers, and agents from and against any and all claims arising out of the use, occupation or control of the Premises by Lessee, its agents, and employees. A "claim" as used in this subsection means any claim of any nature whatsoever for penalties, financial loss, damages (including but not limited to bodily injury, sickness, disease or death, or injury to or destruction of property, land and other natural resources including the loss of use thereof), costs or expenses (including but not limited to attorney's fees), whether or not resulting in a suit or action or reduced to judgment. This release and the obligation to indemnify shall not be eliminated or reduced by the concurrent negligence of the State, its officials, employees, or agents, except as provided in this subsection. To the extent that RCW 4.24.115 applies, Lessee shall not be required to indemnify State from State's sole or concurrent negligence. Lessee waives its immunity under Title 51 to the extent it is required to indemnify the State herein.

7.02 Insurance Requirements. Lessee shall, at all times during the term of this contract at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance may result in the termination of the contract at State's option.

All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the department's risk manager before the contract is accepted. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications:

1. Insurers subject to Chapter 48.18 RCW (admitted and regulated by the Insurance Commissioner): The insurer shall give the State 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

2. Insurers subject to Chapter 48.15 RCW (surplus lines): The State shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the State shall be given 10 days advance notice of cancellation.

Before starting work, Lessee shall furnish with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements

specified in the contract and, if requested, copies of polices to State. The certificate of insurance shall reference the State of Washington, Department of Natural Resources, and the lease number.

Lessee shall include all subcontractors as insured under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each subcontractor. Subcontractor(s) must comply fully with all insurance requirements stated herein. Failure of subcontractor(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella, and property insurance policies.

All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this contract. All insurance policies must expressly waive any right of subrogation by the insurance company against the State and the State's officials, employees, and agents.

If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this contract.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Commercial General Liability (CGL) Insurance. Lessee shall maintain general liability (CGL) insurance covering claims for bodily injury, personal injury, or property damage arising on the property and/or out of Lessee's operations and, if necessary, commercial umbrella insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insured (cross liability) condition.

Employer's Liability ("Stop Gap") Insurance. Lessee shall buy employers liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

Workers' Compensation Coverage. Lessee shall comply with all State of Washington workers' compensation statutes and regulations. Workers' compensation coverage shall be provided for all employees of Lessee and employees of any subcontractor or sub-subcontractor. Coverage shall include bodily injury (including death) by accident or disease, which exists out of or in connection with the performance of this contract. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers' compensation, employer's liability, commercial general liability, or commercial umbrella liability insurance.

If Lessee, subcontractor or sub-subcontractor fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee or subcontractor or sub-subcontractor employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such employees.

Business Auto Policy (BAP). Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01. Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

Builders Risk Insurance. If applicable, Lessee shall buy and maintain in force builders risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance shall be written on a completed form and in an amount equal to the value of the completed building, subject to subsequent modifications to the sum. The insurance shall be written on a replacement cost basis. The insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

Insurance described above shall be written to cover all risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse. Insurance described above shall cover the entire work at the site including reasonable compensation for architect's services and expenses made necessary by an insured loss. Insured property shall include portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding, falsework, and temporary buildings located at the site. The policy shall cover the

cost of removing debris, including demolition as made legally necessary by the operation of any law, ordinance or regulation.

Any deductible applicable to the insurance bought in compliance with the policy described above shall be identified in the contract documents and the responsibility for paying the part of any loss not covered because of application of deductible(s) shall be the responsibility of the Lessee. If any part of any loss is not covered because of the application of a deductible amount not identified in the contract documents, Lessee will pay such loss. Lessee shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by State. If testing is being performed, such insurance shall cover such operations. This insurance shall name as insureds State, Lessee, and all subcontractors and sub-subcontractors in the work.

SECTION 8 WEEDS, HARMFUL SUBSTANCES

8.01 Weed Control. Lessee shall control all weeds on the Premises. Lessee shall be responsible for, or shall immediately reimburse State for, any all weed control cost incurred, as a result of Lessee's failure to control all weeds on said Premises.

Lessee shall prevent weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new weeds. Weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of Washington State and Federal law.

Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

a. Preventing weed problems;

b. Monitoring for the presence of weed species;

c. Establishing the density of the weed population (which may be zero) that can be tolerated;

d. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

e. Evaluating the effects and efficacy of weed control treatments.

8.02 Hazardous, Toxic, or Harmful Substances.

(a) Deleterious Material. Lessee shall not make, or suffer to be made, any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by the State, or unless permitted by Subsection 2.01 (Permitted Use). If the Lessee fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, the Lessee agrees that the State may, but is not obligated to, remove such materials and charge the Lessee for the cost of removal and disposal.

(b) Hazardous, Toxic, or Harmful Substances.

(1) Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use under Subsection 2.01 (Permitted Use) and unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended. Lessee shall:

(i) Immediately notify the State of: all spills or releases of any Hazardous Substance affecting the Premises; all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended; all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises; and all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises; and

(ii) On request, provide copies to the State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises.

(2) Lessee shall be fully and completely liable to the State, and shall indemnify, defend, and save harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

SECTION 9 ASSIGNMENTS

Assignment. Lessee shall not hypothecate, mortgage, assign, sublease, transfer, or otherwise alienate this Agreement ("Assignment"), or any interest therein, without the prior written consent of State, which consent shall not be unreasonably withheld. In granting any such consent under this clause State shall be entitled to consider, among other items, the proposed assignee's, sublessee's or transferee's financial condition, business reputation, business, and such other factors as may reasonably bear upon the suitability of the assignee, sublessee, or transferee as lessee of the Premises. If Lessee is a corporation, partnership, or other association, (1) the transfer of more than fifty percent (50%) of the ownership interest in such entity, or (2) the sale of all or substantially all of the assets of Lessee shall be deemed to constitute an "assignment" of this Agreement which requires consent of State. The consent of State to any one assignment shall not constitute a waiver of State's right to consent to subsequent assignments, nor shall consent of State to any one assignment relieve any party previously liable as Lessee from any obligations under this Agreement, who shall remain joint and severally liable as primary obligor and not as surety. The acceptance by State of the payment of rent following an assignment shall not constitute consent to any assignment and State's consent shall be evidenced only in writing. The State may require reimbursement for any additional administrative costs resulting from the assignment.

SECTION 10 IMPROVEMENTS

10.01 Authorized Improvements. No improvement shall be placed on the Premises without the prior written consent of the State. Consent may be granted through this Agreement resulting in the State's approval of the authorized improvements listed herein as Exhibit 10A, or by written Letter of Authorization issued by the State.

10.02 Plan Approval. The plans or specifications for the construction of the authorized improvements listed on Exhibit 10A or authorized by Letter of Authorization issued by State, and for such changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval.

10.03 Ownership of Improvements. During the Term of this Agreement, the improvements constructed by Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of Lessee. At the expiration or earlier termination of this Lease, all improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall become the property of State, unless State requires their removal pursuant to Section 10.04 below. Throughout the term of this Agreement, Lessee shall not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against the Premises for work or labor done, services performed, or materials used or furnished to be used in or about the Premises for or in connection with any construction, improvements or maintenance or repair thereon made or permitted to be made by Lessee, its agents, or sublessees. Any liens, encumbrances or claims of third parties with respect to any of the foregoing, shall be expressly subordinate and subject to the rights of State under this Agreement.

10.04 Condition at End of Lease. Upon vacating the Premises on the termination date, Lessee shall leave the Premises and all improvements thereon in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Agreement and shall peaceably surrender the same to State. At the option of State, Lessee shall at its sole expense remove all improvements constructed by Lessee upon the Premises and return the Premises to grade level free of all debris.

10.05 Surety Bond. A surety bond, certificate of deposit assignment, or letter of credit may be required by State to assure completion of construction or development of any improvements costing in excess of $2,500.

10.06 Hold Harmless. Lessee shall indemnify, defend and hold harmless State and the Premises from and against all claims and liabilities arising by virtue of or relating to construction of the authorized improvements or repairs made at any time to the authorized improvements (including repairs, restoration and rebuilding). Lessee shall regularly and timely pay any and all amounts properly payable to third parties with respect to such work and will maintain its books and records in the State of Washington, with respect to all aspects of such work and materials therefore, and will make them available for inspection by State or its representatives as requested.

10.07 Permits; Compliance with Codes. Lessee shall cause all work on the Premises during the Term to be performed in accordance with all applicable laws and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction. Lessee is responsible, at Lessee's sole cost and expense, to cause the authorized improvements and the Premises to comply with all applicable governmental laws, statutes, rules, regulations and/or ordinances that apply to the Premises during the Agreement Term, whether now in effect, or hereinafter adopted or enacted.

10.08 State's Repairs. State shall not be required or obligated to make any changes, alterations, additions, improvements, or repairs in, on, or about the Premises, or any part thereof, during the term of this Agreement.

10.09 Lessee's Repairs, Alteration, and Maintenance. Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this Agreement, and keep and maintain the whole of the premise, including all improvements in a clean, sanitary and attractive condition.

SECTION 11 ROADS (NOT APPLICABLE)

SECTION 12 DEFAULT AND REMEDIES

12.01 Default. In the event of any material breach of any provision of this Agreement by Lessee, the breach, after expiration of any grace period as provided in this subsection, shall be

deemed a default entitling State to cancel this Agreement and seek any other remedies set forth in this Agreement or otherwise available at law or equity. State shall deliver to Lessee notice of the breach and a demand that the same be remedied immediately. Lessee shall not be in default if the breach pertains to the payment of money and Lessee cures the breach within thirty (30) days of receipt of the notice, or if the breach pertains to a matter other than the payment of any monies due under this agreement, Lessee shall after receipt of the notice promptly commence to cure the breach and shall cure the breach within forty-five (45) days after receipt of the notice. If such breach is non-monetary in nature, and, as determined by State, is not reasonably susceptible of being cured in said forty-five (45) days (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), Lessee shall commence to cure such breach within said period and diligently pursue such action with continuity to completion. If Lessee fails to cure a default, all Lessee owned improvements shall at the option of State, be removed by Lessee, be removed by State at the cost to Lessee, or become the property of State.

12.02 Reentry. In the event of any default by Lessee, State shall have the right, with or without canceling the Agreement, to reenter the Premises and remove all persons and property from Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this Agreement unless a written notice of termination is given to Lessee.

12.03 Termination of Agreements. Whether or not State elects to terminate this Agreement on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions or other arrangement for possession affecting Premises. Alternatively, State, in its sole discretion, may succeed to Lessee's interest in such sublease, license, concession or arrangement, and Lessee shall have no further right to or interest in the rent or other consideration receivable thereunder.

12.04 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this Agreement and shall continue as obligations until fully performed. All clauses of this Agreement that require performance beyond the termination or expiration date shall survive the termination or expiration date of this Agreement. Upon expiration or earlier termination of this Agreement, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements hereon, unless specified otherwise in this Agreement, shall cease.

12.05 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, the State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to the Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

12.06 Remedies Cumulative. The specified remedies to which the State may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this Agreement.

12.07 Nonwaiver. Waiver by the State of strict performance of any provision of this Agreement shall not be a waiver of nor prejudice the State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by the Lessee of any provision of this Agreement shall not constitute a waiver of any right of the State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall expressly do so in writing.

12.08 Force Majeure. The Lessee's failure to comply with any of the obligations under this Agreement shall be excused only if due to causes beyond Lessee's control and without the fault or negligence of the Lessee, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

12.09 Insolvency of Lessee. If the Lessee becomes insolvent, a receiver is appointed, or Lessee's interest is transferred by operation of law by reason of insolvency, the State may terminate this Agreement at its option. Insolvency as used herein will mean the inability of the Lessee to meet its monetary obligations under this Agreement as they come due.

SECTION 13 GENERAL PROVISIONS

13.01 Governing Law. This Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington. Venue shall be in Thurston County. The terms of this Agreement shall be given their ordinary meaning and shall not be presumed construed in favor of or against either party hereto.

13.02 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the activities conducted and business carried on under this Agreement, and the State shall have no obligation with respect to the Lessee's debts or other liabilities.

13.03 Lessee's Authority. Persons executing this Agreement on behalf of Lessee represent that they are authorized to do so and represent and warrant that this Agreement is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

13.04 State's Authority. This Agreement is entered into by State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this Agreement which may lawfully be enacted subsequent to the date of this Agreement.

13.05 Preservation of Markers. Lessee shall not destroy any land survey corner monuments and reference points (including but not limited to corner markers, witness objects, or line markers) without prior written approval from the State, which shall not be unreasonably withheld. Monuments or reference points that must necessarily be disturbed or destroyed during construction or operations must be adequately referenced and replaced, at the Lessee's cost, under the direction of a State of Washington Professional Land Surveyor, in accordance with all applicable laws of the State of Washington, including but not limited to RCW 58.24, and all relevant Department of natural Resources regulations.

13.06 Condemnation. If all of the Premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, this Agreement terminates as of the date the condemner takes possession. If part of the Premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this Agreement, the State or Lessee may choose to terminate this Agreement as of the date the condemner takes possession. If either the State or Lessee elects to terminate this Agreement, the rents or other charges to be paid by Lessee will be apportioned by the State and paid by the Lessee to the date of taking. If neither the State nor Lessee elects to terminate this Agreement, the rent will be reduced in the same proportion that the value of the portions of the site to be taken bears to the value of the entire site as of the date condemner takes possession.

If the taking is for a period which will end on or extend beyond the expiration of the term of this Agreement, Lessee will have no claim or interest in or to any award of damages for the whole or partial taking of the site, except that the Lessee will be entitled to an amount equal to the fair market value of any improvements as of the date of taking (except trade fixtures) considered by this Agreement to be owned by the Lessee taken by the condemner.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Agreement will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the Premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

13.07 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.
Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of the State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

13.08 Time of Essence. Time is expressly declared to be of the essence of this Agreement and each and every covenant of Lessee and the State hereunder.

13.09 Amendments. Any amendments, revisions, supplements, or additions to this Agreement or the attached exhibits shall be made in writing executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements. Such changes may be made by re-execution of the signature page and the deletion and addition of the appropriate new effective pages or exhibits governing the change, if any.

13.10 Entire Agreement. This written Agreement or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

13.11 Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Agreement shall be valid and be enforced as written to the fullest extent permitted by law.

13.12 Attorney Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the prevailing party shall be entitled to reasonable attorney fees, paralegal fees, accountant and other expert witness fees and all other fees, costs and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

13.13 Notices and Submittals. Any notice or submittal given under this Agreement shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted. Changes of address may be given in accordance with this section. Any notice or submittal given under this Agreement shall be:

To the State:

Where Agreement provisions require submittal to State office:
Department of Natural Resources
Product Sales and Leasing Division
P.O. Box 47061
Olympia, WA 98504-7061

Where Agreement provisions require submittal to the State at its Region office:

Department of Natural Resources
South Puget Sound Region Region
950 Farman Avenue North
Enumclaw, WA 98022

To the Lessee at the address affixed with signature or Lessee's last known address.

13.14 Exhibits. This agreement is subject to the terms and conditions of exhibits referenced herein, which are attached hereto and by this reference made a part hereof.

Exhibits: 1A - Legal Description and Encumbrances, 5A - HCP Requirements, 10A - Authorized Improvements

KITSAP RIFLE AND REVOLVER CLUB

Dated: Nov. 12, 2003.

BRAD SMITH, PRESIDENT

Address: 4900 Seabeck Hwy NW
Bremerton, WA 98312

Phone: (360) 373-1007

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: November 17, 2003.

ART TASKER,
South Puget Sound Region Manager

Approved as to form this
27 day of February, 2003
Jim Schwartz, Assistant Attorney General

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Art Tasker is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument, and acknowledged it as the Region Manager of Washington State Department of Natural Resources, South Puget Sound Region to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: November 17, 2003

(Seal or Stamp)

Floella C. McKinley
NOTARY PUBLIC in and for the
State of Washington
My appointment
expires 6/29/04
expires

FLOELLA C. MCKINLEY
COMMISSION EXPIRES
NOTARY
PUBLIC
6-29-04
STATE OF WASHINGTON

EXHIBIT 10A
Authorized Improvements

(1) One 12 foot X 120 foot covered rifle position shooting building.

(2) One 12 foot X 105 foot covered pistol position shooting building.

(3) One 12 foot X 20 foot storage shed.

(4) One 8 foot X 12 foot target shed.

(5) Electrical meter service panel and power poles.

EXHIBIT 5A
HCP REQUIREMENTS

1. The Lessee shall immediately notify the State of new locations of Permit species covered in the Incidental Take permit (ITP) that are discovered within the leased Premises covered by the Habitat Conservation Plan (HCP), including, but not limited to: locations of occupied murrelet habitat; spotted owl nest sites; wolves; grizzly bears; nests, communal roosts, or feeding concentrations of bald eagles; peregrine falcon nests; Columbian white-tailed deer; Aleutian Canada geese; and Oregon silverspot butterflies. In all circumstances notification must occur within a 24 hour time period.

2. Upon locating any live, dead, injured, or sick specimens of any listed species covered by the ITP within the leased Premises the Lessee shall immediately notify the State. In all circumstances notification must occur within a 24 hour time period. Lessee may be required to take certain actions to help the State safeguard the well being of any live, injured or sick specimens of any listed species discovered, until the proper disposition of such specimens can be determined by the State.

3. Lessee shall refer to ITP number PRT-812521 (a copy of the ITP is located for reference in the region office) in all correspondence and reports concerning Permit activities.

4. All applicable provisions of the ITP and this schedule must be presented and clearly explained by Lessee to all authorized officers, employees, contractors, or agents of Lessee conducting authorized activities on the Property. Any questions Lessee may have about the ITP should be directed to the State.

5. At this time, the following sensitive areas, conditions or species have been identified on the Premisis. Contact the State for more information on the identified areas.

Riparian Management Zones

Bodies of water, including but not limited to those streams, rivers and lakes and other lakes and wetlands have been identified and/or may be located on the Premises. All activities within the Riparian Management Zone, as defined in the HCP and including that portion of the inner riparian ecosystem between the aquatic zone and the direct influence zone (uplands) and including the outer wind buffer, must comply with the current HCP Procedures. Activities in a Riparian Management Zone, including but not limited to cutting or removing any tree and/or timber (including hardwood, merchantable and unmerchantable timber, downed timber, windthrow and snags), and road, trench and/or trail use, and/or maintenance, may be restricted or not permitted during specific times. All activities must provide for no overall net loss of naturally occurring wetland acreage and function.

State Property to be conveyed to Kitsap County
STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
State Land Survey Unit
PO Box 47030
Olympia, WA 98504-7030

Dated 4-6-09

FILENAME:L2269 S25 T25 R1W

EXHIBIT B-1
(State's Mineral Reservation)

Mineral Reservation

The Grantor hereby expressly saves, excepts, and reserves out of the grant hereby made, unto itself and its successors and assigns forever, all geothermal steam and heat and all metals, oils, gases, coal, ores, minerals, and fossils of any nature whatsoever and of every name, kind, or description (excluding surface minerals such as rock, sand and gravel) in, under or upon that portion of the land legally described on the attached Exhibit B-2 (the "Mineral Land"), or any part thereof, and the right to explore the same for such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils; and it also hereby expressly saves and reserves out of the grant hereby made, unto itself and its successors and assigns forever, the right to enter by itself or its agents, attorneys, and servants upon the Mineral Land, or any part or parts thereof, at any and all times, for the purpose of opening, developing, and working mines thereon, and taking out and removing therefrom all such geothermal steam and heat, metals, oils, gases, coal, ores, minerals, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its successors and assigns, forever, the right by its or their agents, servants, and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, and railroads, sink such shafts, remove such soil, and to remain on the Mineral Land or any part thereof for the business of mining and to occupy as much of the Mineral Land as may be necessary or convenient for the successful prosecution of such mining business, hereby expressly reserving to itself and its successors and assigns, as aforesaid, generally, all rights and powers in, to, and over said Mineral Land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and the rights hereby expressly reserved.

No rights shall be exercised under the foregoing reservation, by the Grantor or its successors or assigns (including a lessee under any oil and gas lease), until provision has been made by the Grantor or its successors or assigns to pay to the owner of the Mineral Land, or portion of the Mineral Land upon which the rights reserved herein to the Grantor or its successors or assigns are sought to be exercised, full payment for all damages sustained or to be sustained by said owner by reason of entering upon said Mineral Land and exercising such rights; PROVIDED, That if the owner of said Mineral Land from any cause whatever refuses or neglects to settle said damages, then the Grantor or its successors or assigns, or any applicant for a lease or contract from the state for the purpose of prospecting for or mining valuable minerals, or option contract, or lease, for mining coal, or lease for extracting petroleum or natural gas, shall have the right to institute such legal proceedings in the superior court of the county wherein the Mineral Land is situate, as may be necessary to determine the damages which said owner of said land may suffer; provided, however, the Mineral Land owner may, at its option, require that such determination be made by arbitration in accordance with the rules of the American Arbitration Association; provided, Grantor shall not be obligated to so arbitrate if Grantor's lessee under any applicable oil and gas lease is not legally required to so arbitrate.

As used in the foregoing paragraph, the term "damages" shall include, without limitation, actual and consequential damages, including loss of or damage to the surface, improvements, growing crops and timber, loss of future timber production, injury or damage to the Mineral Land owner's business operations thereon, all compensating or roll-back taxes arising or to arise from the loss of the forest land or timberland tax classification due to the exercise of any such reserved rights, and the cost of road maintenance, resurfacing and repair arising or to arise from the exercise of such reserved rights. To the extent the Mineral Land owner or its successors or assigns receives compensation for such damages from a successor or assign of Grantor (such as a lessee under an oil and gas lease) with respect to a particular activity or operation by such party, then Grantor shall not be required to make payment for such particular activity or operation (i.e., Mineral Land owner shall not be entitled to receive duplicative payment for damages for the same activity or operation).

EXHIBIT B-2
(Description of Areas Subject to State's Mineral Reservation)

State property to be conveyed to Kitsap County

Parcel S-1

The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2

Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Dennis J. Gelvin, PLS 21674
Land Description & R/W Specialist
Land Survey Unit
Engineering Division
PO Box 47060
Olympia, WA 98504-7060

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-3
RESERVATION OF EASEMENT ACROSS S-1 and S-2

Terms and Conditions of Reserved Easement by State

Grantor, as defined in that deed to which this reservation is attached, hereby reserves to itself, its successors and assigns, a permanent, nonexclusive Easement over parcels of land in Kitsap County, identified in Exhibit A to the deed as S-1 and S-2 and legally described as follows (hereafter Newberry Hill Parcel):

Parcel S-1
The S1/2 of the E1/2 of the E1/2 of the SW1/4 of the SE1/4 of Section 25, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, according to U.S. Government subdivision procedures.

Parcel S-2
Section 36, Township 25 North, Range 1 West, Willamette Meridian, Kitsap County, EXCEPT that portion lying within Camp Wesley Harris, said portion shown and described as the E1/2 of the SE1/4 and the SE1/4 of the NE1/4 of said Section 36 by that survey of Camp Wesley Harris Reservation Boundaries approved September 1, 1950, on file with the Office of the Commissioner of Public Lands, Olympia, Washington.

Said Easement to be sixty (60) feet in width running thirty (30) feet on each side of a centerline of an existing road(s) located approximately as shown on Exhibit B Easement Area (hereafter Easement Area).

Purpose. The Easement is reserved to provide access for any and all purposes, to and from lands owned by the Grantor. Authorized use shall include the right to travel, maintain, repair, construct or reconstruct the Easement Area.

Appurtenant. Subject to the terms and conditions herein, this Easement reservation is made to provide access to and from all real property owned by Grantor and all other real property of Grantor, now owned or acquired as of the execution date of this Quitclaim Deed or hereafter acquired by the Grantor (hereafter Benefited Parcel(s)).

Grantee Rights. Grantee, as defined in that deed to which this reservation is attached, shall have the right at all times for any purpose, to cross and recross the Easement Area at any place on grade or otherwise. Grantee may grant to third parties any or all of the rights reserved therein; provided, that use by such party shall be subject to the terms and conditions of this

Easement and shall not unreasonably interfere with the rights reserved to Grantor herein. Grantee shall own all timber now on or hereafter growing within the Easement Area and the right to remove said timber.

Relocation. Grantee shall have the right to relocate the Easement Area at the Grantee sole cost so long as the new location does not unreasonably interfere with the rights of Grantor herein.

Maintenance. The cost of road maintenance and resurfacing shall be allocated on the basis of respective uses of said roads. When any party uses a road, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of maintenance and resurfacing occasioned by such use as hereinafter provided. During periods when a road is being used solely by one party, such party shall maintain that portion of said road so used to the standards existing at the time use is commenced. During periods when more than one party is using the same road, or any portion thereof, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but shall not be limited to:

a. The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed at a reasonable and agreed upon rate the maintenance and resurfacing of the road or the portion thereof being used; and

b. A method of payment by which each party using said road or a portion thereof, shall pay its pro rata share of the cost incurred by said maintainer in maintaining or resurfacing said road or portion thereof.

For purposes of this easement reservation, maintenance is defined as the work normally necessary to preserve and keep the roadway, road structure and road facilities as nearly as possible in their present condition or as hereafter improved.

Repairs. Each party using any portion of a road shall repair, or cause to be repaired, at its sole cost and expense, that damage to said road occasioned by it which is in excess of that which it would cause through normal and prudent usage. Should damage be caused by an unauthorized user, the cost of repair shall be treated as ordinary maintenance and handled as set forth above.

Improvements. Unless the parties agree in writing to share the cost of improvements in advance of such improvements being made, such improvements shall be solely for the account of the improver.

Permittees. The Grantor may permit its respective agents, contractors, licensees, lessees, purchasers of timber or other valuable materials, and their agents, hereinafter individually referred to as "Permittee" and collectively referred to as "Permittees," to exercise the rights reserved hereby.

Insurance. The State of Washington, including all its agencies and departments, is self insured for all exposures to tort liability, general liability, property damage liability and vehicle liability,

as provided in statute, but only as respects the negligence of the State. So long as the State of Washington continues to be the easement holder of this reservation, it shall not be required to carry insurance. Should the State's rights be assigned or transferred to another entity in whole or in part, such entity shall carry insurance as required below.

Before using any of said rights granted herein, the State's Successors and Assigns (Assignees) and Permittees shall obtain and keep in force the following liability insurance policies, insuring against liability arising out its operations, including use of vehicles, with the corresponding minimum amounts of coverage:

a. Commercial General Liability (CGL) insurance with a limit of not less than $1,000,000 per each occurrence. If such CGL insurance contains aggregate limits, the general aggregate limit shall be at least twice the "each occurrence" limit, and the products-completed operations aggregate limit shall be at least twice the "each occurrence" limit.

b. Employer's Liability ("Stop Gap") insurance, and if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

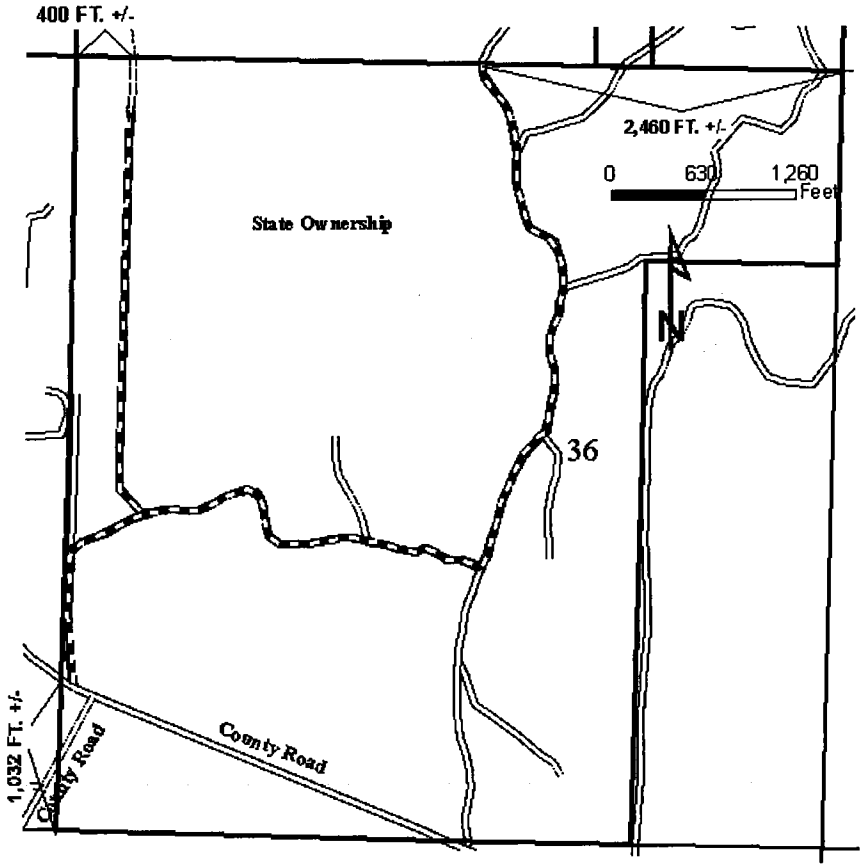
c. Business Auto Policy (BAP) and if necessary, commercial umbrella liability insurance with a limit of not less than $1,000,000 per accident, with such insurance covering liability arising out of "Any Auto". Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later versions of CA 00 01. Grantee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

All Assignees and Permittees shall comply with all State of Washington workers' compensation statutes and regulations. Worker's compensation coverage shall be provided for all employees of assignees and employees of any subcontractors or sub-subcontractors.

Assignees and Permittees shall deliver to Grantee, upon request, a certificate of insurance executed by a duly authorized representative of each insurer showing compliance with the insurance requirements specified above. In the event of cancellation or non-renewal of any coverages, written notice as prescribed in statute (Chapter 48.18 RCW or Chapter 48.15 RCW) will be provided to Grantee.

Successors. The terms of this reservation run with the land and shall bind the successors and assigns of both Grantor and Grantee. Grantee shall be deemed to have accepted the terms of this reservation and be bound by the same by accepting delivery of the deed.<insert easement acknowledgement signature blocks for state and kitsap county>

EXHIBIT B
EASEMENT AREA
DEPARTMENT OF NATURAL RESOURCES
SECTION 36, TOWNSHIP 25 NORTH, RANGE 01 WEST, W.M. IN KITSAP COUNTY, WA
DNR EASEMENT NO. 50-_____



EXISTING STATE EASEMENT RESERVATION ROAD.
ROAD LENGTH = 10,727 FT. +/-, EASEMENT AREA = 14.84 +/- AC.
NEW CONSTRUCTION STATE EASEMENT RESERVATION ROAD
ROAD LENGTH = 365 FT. +/-, EASEMENT AREA = .5 +/- AC.

-WIDTH OF EASEMENTS: 30' EACH SIDE OF CENTERLINE
-STATIONING SHOWN AT SUBDIVISION AND SECTION LINE IS APPROXIMATE
-THE RIGHT-OF-WAY SHOWN IS INTENDED TO BE OVER AND ACROSS ALL PROPERTY AS SHOWN ON THIS MAP.
-LOCATION OF ROADS AND PROPERTY LINES BASED UPON DEPARTMENT OF NATURAL RESOURCES' CURRENT GIS INFORMATION

MAP PREPARED BY:_____ DATE:_____
BRAD PRUITT

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-4
Quitclaim Deed

AFTER RECORDING RETURN TO:
Department of Natural Resources
Asset Management & Protection Division
Asset Planning and Transactions Section
PO Box 47014
Olympia, WA 98504-7014

QUITCLAIM DEED
Kitsap County

Grantor: State of Washington, acting by and through the Department of Natural Resources.

Grantee: Kitsap County Parks and Recreation

Abbreviated
Legal Desc: (abbreviated legal description)

Tax Parcel #: (#)

THE GRANTOR, STATE OF WASHINGTON, acting by and through the Department of Natural Resources, for and in consideration of the conveyance by Kitsap County Parks and Recreation Department, of real property of equal value as authorized and approved by Resolution No. (#) adopted by the Board of Natural Resources, State of Washington, on (date 2009, hereby conveys and quitclaims to KITSAP COUNTY PARKS AND RECREATION DEPARTMENT, GRANTEE, all interest in the real property situated in Kitsap County, Washington, and described in Exhibit A, attached hereto, which by this reference is made a part hereof, subject to those matters and encumbrances described in the attached Exhibit B Easement Reservation (Easement Reservation), together with all after-acquired title of GRANTOR'S therein.

Grantor hereby reserves for itself, its successors and assigns, all rights and interests in minerals, excluding surface minerals such as rock, sand, and gravel, in perpetuity, as set forth in and

according to the terms and conditions of the Mineral Reservation attached hereto as Exhibit C, over and across those portions of said real property described on the attached Exhibit A.

The lands described in Exhibit A are subject to that certain statutory reserved right as set forth in RCW 79.36.370.

This Deed is executed and delivered pursuant to RCW 79.17.060 at the request of the Commissioner of Public Lands with the approval of the Board of Natural Resources, State of Washington.

WITNESS the Seal of the State of Washington, affixed this _____ day of _____, 20___.

_____
GOVERNOR

ATTEST: _____
SECRETARY OF STATE

Approved as to form this _____ day of _____, 20____.

_____
Assistant Attorney General

State Deed No. (#)
State Record of Deeds, Volume (#), Page (#).
Transaction File No. 86-(#)

Exhibits

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT B-5
Tenant Estoppel Statements

DATE

Kitsap Rifle and Revolver Club
Attn: Brad Smith, President
4900 Seabeck Hwy NW
Bremerton, WA 98312

Re: Consent to Lease Assignment & Lease Estoppel, DNR Lease No. 60-B068979

Dear Mr. Smith:

You were originally informed of the possibility of a land exchange between the State of Washington Department of Natural Resources (State) and the Kitsap County Parks and Recreation Department in February of 2009 that might involve the property that you currently lease from the State.

While an exchange agreement has not been finalized between the State and Kitsap County Parks and Recreation Department, at this time the State anticipates exchanging the property that you lease that is located in Section 36, Township 25 North, Range 01 West, W.M. in Kitsap County, Washington. This exchange is being referred to as the Newberry Hill Land Exchange 86-081861.

If this exchange should be finalized, the Kitsap County Parks and Recreation Department, would replace the State of Washington, Department of Natural Resources, as the Lessor for the above-mentioned land that you currently lease from the State. The State anticipates presenting the Newberry Hill Land Exchange proposal to the Board of Natural Resources for their consideration and approval at their June 2, 2008 meeting in Olympia, Washington.

Please sign and return this Letter of Consent to Lease Assignment together with the Lease Estoppel in the enclosed self-addressed stamped envelope, no later than April 30, 2009, if you consent to this assignment. A second copy has been enclosed solely for your records.

If you consent to this lease assignment, Kitsap County Parks and Recreation Department requires that you forward a current copy of your insurance certificate showing adequate insurance amounts as required under the terms and conditions of this lease prior to April 30, 2009. Your

insurance agent should be able to assist you with this by providing you with a copy of your insurance certificate. You should forward this insurance certificate to:

> Kitsap County Parks and Recreation Department, c/o Matthew Keough, 614 Division Street, MS-1, Port Orchard, WA 98366

In the event you choose not to sign and return this Letter to Consent to Lease Assignment and Lease Estoppel, then this letter shall serve as notice that the State is proceeding under Lease Clause 4.03 providing you with sixty (60) days' written notice for formal lease cancellation.

It reads as follows:

> *4.03 Non-Default Termination. State reserves the right to terminate this Agreement upon sixty (60) days' written notice in the event the State includes the Premises in a plan for higher and better use, land exchange or sale.*

If you choose to not consent to the assignment and the State successfully negotiates the exchange of the property, the lease will be cancelled effective. ALLOW 60 DAYS PLUS ALLOWANCE FOR MAILING

If you have any questions about the lease or this exchange, please contact Pat Hennessy at (360) 596-5149 or Brad Pruitt at (360) 584-5037.

Sincerely,

Randy Acker
South Puget Sound Region Manager

Encl: Self-Addressed Stamped Envelope

c: Dave Dennis, Forest Manager
File 60-B068979
Bob Winslow

Lease Assignment

I consent to the above referenced transfer and assignment of the lease to the Kitsap County Parks and Recreation Department.

KITSAP RIFLE AND REVOLVER CLUB

BRAD SMITH, PRESIDENT Date Signed

Lease Estoppel

60-B068979

The undersigned ("Tenant") is the tenant under that certain lease dated as of November 17, 2003, by and between Tenant and State of Washington, Department of Natural Resources, ("Landlord") (as amended and supplemented by the instruments attached below, the "Lease") pursuant to which Tenant has leased certain property located in Kitsap County, Washington as more particularly described therein (the "Property").

The undersigned understands that the Kitsap County Parks and Recreation Department, ("Exchanger") is acquiring the Landlord's interest in the Property and the Lease. Tenant further understands that Exchanger will be relying on the truth and accuracy of the matters described in this certificate in proceedings to complete the exchange. Based on such understandings, Tenant certifies to Exchanger.

A full and complete description of the Lease, including any and all amendments and modifications thereto is attached as Exhibit A and incorporated herein by this reference (the "Lease"). Said documents and instruments constitute the entire agreement between Landlord and Tenant with respect to the Property.

1. The Lease has not been amended, altered, modified or supplemented in any way.

2. The Lease has not been assigned, mortgaged, pledged or otherwise encumbered by Tenant, nor has all or any portion of the Property been sublet. Tenant has no notice of any prior assignment of the Lease or pledge of the Lease or rents as security by Landlord.

3. The Tenant has no option to renew the Lease or otherwise extend the term of the Lease. Tenant has no option or right of first refusal to purchase the Property.

4. The annual rent payable under the terms of the Lease is the same as shown in the Lease, or most recent rent adjustment letter.

5. Tenant has made no security or other deposits or prepaid rent under the Lease, except as follows:

Rent is paid annually and has been paid through February 27, 2010.

Tenant has no claim of offset or defense against either the rent or the Landlord, nor any other claim or counterclaim, including, without limitation, claims to concessions, "free" rent, rebates or abatements in rent, against Landlord except as set forth under the Lease.

6. There exists no improvements or personal property of the tenant on the property other than those listed on Exhibit 10-A to the Lease. Upon termination of the Lease for any reason, including expiration of its term, ownership and disposition of all such improvements or personal property shall be pursuant to the Lease.

7. There exists no defaults on the part of the Landlord under the Lease.

8. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangements under the bankruptcy laws of the United States or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

This certificate may be relied upon by Exchanger and, if the above-referenced acquisition closes, shall be binding upon the undersigned.

KITSAP RIFLE AND REVOLVER CLUB

_____

BRAD SMITH, PRESIDENT Date Signed

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

EXHIBIT C
Continuing Forest Obligation

When Recorded Return to:

DNR – South Puget Region
950 Farman Avenue N
Enumclaw, WA 98022
Ph (360) 825-1631
Fx (360) 825-1672

Washington State Department of Natural Resources
Notice of Continuing Forest Land Obligation

Sellers and Buyers of land and perpetual timber rights have certain rights and responsibilities when the land or perpetual timber rights are sold or transferred. Where the land is subject to certain continuing forestland obligations including without limitation reforestation, Road Maintenance and Abandonment Plans and Harvest Strategies along Type 4 Waters in Eastern Washington, **prior to the sale or transfer of the land or perpetual timber rights the law requires that the following occur:** 1) the seller shall notify the buyer of the existence and nature of the obligations and 2) the buyer shall sign a Notice of Continuing Forestland Obligation Form indicating the buyer's knowledge of such obligation. At the time of sale or transfer of the land or perpetual timber rights the seller shall send the signed Form to the Department of Natural Resources (DNR). The Form may be obtained from your DNR region office.

If the seller fails to notify the buyer about the continuing forest land obligation referenced above, the seller shall pay the buyer's costs related to such continuing forest land obligation, (including all legal costs) incurred by the buyer in enforcing the continuing forestland obligation against the seller. Failure by the seller to send the required notice to the DNR at the time of sale shall be prima facie evidence, in an action by the buyer against the seller for costs related to continuing forest land obligation, that the seller did not notify the buyer of the continuing forest land obligation prior to sale. See RCW 76.09.070, RCW 76.09.390 and WAC 222-20-055.

There are also other types of continuing forestland obligations subject to certain requirements, including without limitation Small Forest Landowner Forest Riparian Easements and Landowner Landscape Plans. For more information contact the DNR Region Office.

CONTINUING OBLIGATION/S

Reforestation (RCW 76.09.070)

_____ Obligation exists on the property identified below and relates to the following Forest Practice Application/Notification (FPA/N) Numbers (list all that apply, add attachment if necessary).

_____ No Reforestation obligation exists on the property.

Road Maintenance and Abandonment Plan (WAC 222-24-051)

_____ Obligation exists on property identified below and relates to the following FPA/N numbers and/or Road Maintenance and Abandonment Plan Numbers (list all that apply, add attachment if necessary).

_____ Road Maintenance and Abandonment Plan is required, but not yet filed.

_____ No Road Maintenance and Abandonment Plan obligation exists on the property.

Harvest Strategy along Type 4 Waters in Eastern Washington (WAC 222-30-022 (2)(b))

_____ Obligation exists on the property identified below and relates to the following FPA/N Numbers (list all that apply, add attachment if necessary).

_____ No Harvest Strategy obligation exists on the property.

PROPERTY IDENTIFICATION

Land/Rights Sold/Transferred (circle one): *Land and Timber* *Land* *Perpetual Timber Rights*

Date that the Land/Rights was/were Sold/Transferred (month/day/year): _____

County/ies: _____

DNR Region/s: _____

Legal Description of the Lands/Rights being Sold/Transferred (include county parcel number/s, add attachment if necessary): _____

_____

_____

_____

SELLER:		**BUYER:**	
Signature:	_____	Signature:	_____
Date:	_____	Date:	_____
Print name:	_____	Print name:	_____
Title:	_____	Title:	_____
Address:	_____	Address:	_____
Phone:	_____	Phone:	_____

NOTE TO SELLER:
At the time of sale or transfer of the property or the perpetual timber rights:
The seller is responsible for delivering (by certified mail or in person) the SIGNED ORIGINAL to the DNR Region Office in which the property is located. However, if you choose to also have this form recorded by the county, the original is delivered to the county and a copy delivered (by certified mail or in person) to the DNR Region Office.

FOR DEPARTMENTAL USE ONLY

Notice of Continuing Forestland Obligation #: _____ Date Received: _____

Region: _____ **Received by:** _____

FORM DNR QQ-42 (July 18, 2002)

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
EXHIBIT D
DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

Record at the request of:
Kitsap County
Facilities, Parks and Recreation
614 Division Street, MS 1
Port Orchard, WA 98366

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 1 of 4

EXCISE TAX EXEMPT MAR 30 2007

Section 1 TS 24N Range 1W
QOV & see additional page
Assessors property tax parcel
012401-2-033-1005
see attached pg. 4

DEED OF RIGHT TO USE LAND FOR CONSERVATION PURPOSES

The Grantor, **Kitsap County** for and in consideration of monies coming in whole or in part from the Washington Wildlife and Recreation Program of the State of Washington Interagency Committee for Outdoor Recreation and in fulfillment of terms of the Project Agreement identified below, conveys and grants to the **State of Washington (Grantee)** individually and as the representative of all the people of the State, the right to use the real property described below forever for conservation purposes.

Those purposes are described in the Project Agreement entered into between the Grantor and the State of Washington through the Interagency Committee for Outdoor Recreation entitled, Central Kitsap Greenway (Port Blakely Tree Farm), Project Number 04-1457A. The application and supporting materials are on file with the Grantor and the State in connection with the Project Agreement.

The Grantor will not make or permit to be made any use of the real property described in this deed, or any part of it, which is inconsistent with the right to use for conservation purposes herein granted unless the State, through the Interagency Committee for Outdoor Recreation or its successors, consents to the inconsistent use,which consent shall be granted only upon conditions which will ensure that other conservation land of at least equal fair market value at the time of change of use and of as nearly as feasible equivalent qualities, characteristics and location for conservation purposes for which state assistance was originally granted will be substituted in the manner provided in RCW 79A.25.100 for marine recreation land, whether or not the real property covered by this deed is marine recreation land. RCW 79A.25.100 reads as follows:

"Marine recreation land with respect to which money has been expended under RCW 43.99.080 (recodified as RCW 79A.25.080) shall not, without the approval of the committee, be converted to uses other than those for which such expenditure was originally approved. The committee shall only approve any such conversion upon conditions which will assure the substitution of other marine recreation land of at least equal fair market value at the time of conversion and of as nearly as feasible equivalent usefulness and location."

The real property covered by this deed is described as follows:

CENTRAL KITSAP GREENWAY (PORT BLAKELY TREE FARM):
PARCEL A: The West Half of the Northwest Quarter; the Southwest Quarter; all in Section 1, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;

Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL B: That portion of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M., in Kitsap County; Washington, described as follows:

Beginning at the Northeast corner of Government Lot 8 (being also the East Quarter corner of said Section);
Thence South along the East line of said Section a distance of 400 feet;
Thence West to the East line of the existing 60-foot wide county road commonly known as Northwest Wildcat Lake Road;
Thence Northerly along the East line of said road to the North line of Government Lot 8;
Thence East along said line to the point of beginning.

Also, the South Half of the Southeast Quarter of the Southeast Quarter of Section 2, Township 24 North, Range 1 West, W.M.;
Except that portion thereof lying within the boundaries of any existing county road.

PARCEL C: The Northeast Quarter of the Northeast Quarter of Section 11, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except from all the above any portion thereof lying within the boundaries of any existing county road.

PARCEL D: The Northwest Quarter of the Northwest Quarter of Section 12, Township 24 North, Range 1 West, W.M., in Kitsap County, Washington;
Except any portion thereof lying within the boundaries of any existing county road.

This deed shall in no way modify or extinguish the functions of the Grantor under the Project Agreement, including the Grantor's functions to operate and maintain the land as set out in the Project Agreement.

Dated this 26th day of March, 2007

By: _____

Title: Chair of Board of Commissioners

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:19 PM
Karen Flynn, Kitsap Co Auditor
Page: 2 of 4

ATTEST:

STATE OF WASHINGTON)

COUNTY OF KITSAP)

PARKS & RECREATION 200703300433
Deed Rec Fee: $ 35.00
03/30/2007 04:18 PM
Karen Flynn, Kitsap Co Auditor
Page: 3 of 4

THIS IS TO CERTIFY that on this 26th day of March 2007, before me the undersigned Notary Public in and for the 'State of Washington, duly commissioned and sworn, personally appeared

Chris Endresen to me. This individual is known to be the Chair of the Board of Co. Commissioners of the Board of County Commissioners that executed the foregoing deed and acknowledged to me that they signed and sealed the same as the free and voluntary act and deed of said _____ and on oath stated that they were authorized to execute said instrument and that the seal affixed is the seal of said _____ WITNESS my hand and official seal the day and year in this certificate first above written.

Becky A. Froelich Becky A. Froelich
Notary Public in and for the State of Washington, residing in Kitsap County. My commission expires 10/7/2010.

KITSAP TRACT #1:

LPC 6110

012401-2-033-1005	012401-2-034-1004	012401-2-035-1003	012401-2-036-1002
012401-3-001-1001	012401-3-002-1000	012401-3-003-1009	012401-3-004-1008
012401-3-005-1007	012401-3-006-1006	012401-3-007-1005	012401-3-008-1004
022401-4-025-1000	112401-1-016-1006	112401-1-017-1005	112401-1-018-1004
112401-1-019-1003	112401-3-027-1009	112401-3-028-1008	112401-4-001-1007
112401-4-002-1006	112401-4-003-1005	112401-4-004-1004	112401-4-005-1003
112401-4-006-1002	112401-4-007-1001	112401-4-008-1000	112401-3-029-1007
112401-3-030-1004	122401-2-007-1004	122401-2-008-1003	022401-4-002-1007

200404190409
Page: 2 of 8
04/19/2004 04:07P
FIRST AMERICAN TITLE INS DEED 126.00 Kitsap Co, WA

PARKS & RECREATION 200703300433
Deed Rep Fee: $ 35.00
03/30/2007 04:10 PM
Karen Flynn, Kitsap Co Auditor
Page: 4 of 4

Don Burger

From: Okelleyb@[redacted]
Sent: Thursday, May 07, 2009 8:22 PM
To: Josh Brown
Cc: Russell D. Hauge
Subject: Pending Transfer and Potential Sale of Kitsap Rifle and Revolver Club Concerns

Dear Commissioner Brown.
I hope you have the time to read my letter and consider my concerns worthy of discussion with your fellow County Commissioners.

I am a former member of KRRC, and am not convinced that a wholesale sale of the property to KRRC is in the best interests of Kitsap County, or of the body of County Commissioners yourselves. I raised questions to the governing body of KRRC about the for-profit business overlaying the facilities of the not-for-profit club and was nearly voted out, having been accused of slander and disloyalty to their Executive Officer, Marcus Carter.

If precedent holds, Mr. Carter will present himself, perhaps along with the club president, as the sole person with whom you and the other Commissioners can deal regarding all things KRRC. I do not trust Mr. Carter, or his motives for pushing The Commissioners to divest from KRRC in entirety. I understand the urge to avoid any lead abatement responsibility on the part of the County, but please consider the long-range implications and give them due thought and discussion among yourselves.

If I know my friend and colleague Glenn Maiers, he has already made contact with you or the other Commissioners and expressed similar sentiments. If Glenn hasn't contacted you, please contact him yourself (gmaiers@silverlink.net) for an eye-opening, well-reasoned explanation of the goings on at KRRC over the last several years. I hope you believe that we aren't disgruntled ex-members with axes to grind. We are concerned greatly, though, that The Commissioners may be being sold a bill of goods that is very different from the reality currently in place at KRRC; a reality that is destined to become even worse if the property and the organization are no longer subject to County scrutiny. You may also benefit from discussion with Prosecutor Russ Hauge about Mr. Carter's indictment for possession of a machine gun, and his 8+ year attempt to avoid justice.

At the very least, can you and your fellow Commissioners make it a condition of sale that KRRC not allow any for-profit enterprise operate on the property, use its facilities or overlay the club? It is an easy enough clause to formulate, and could ensure the ability of non-profits such as the Boy Scouts to continue their historical use of the range and its dedicated cadre of volunteer instructors. Bring this up with Mr. Carter and gauge his reaction to the notion of profit generation being prohibited. His defense of the status quo will be passionate and seemingly sincere, but please consider that it is he, along with his family members, who solely stand to reap all the profit, while KRRC gets a pittance, and the County gets nothing but bad press.

Thank you for your time, Mr. Brown, and thanks in advance for your consideration of this matter.

Sincerely,

Brian O'Kelley
Bremerton WA 98311
[redacted] Home
[redacted] Cell

okelleyb@[redacted]

Remember Mom this Mother's Day! Find a florist near you now.

Don Burger

From: Okelleyb@[redacted]
Sent: Thursday, May 07, 2009 8:22 PM
To: Josh W. Brown
Cc: Russell D. Hauge
Subject: Pending Transfer and Potential Sale of Kitsap Rifle and Revolver Club Concerns

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Sincerely,

Brian O'Kelley
Bremerton WA 98311
[redacted] Home
[redacted] Cell

okelleyb@[redacted]

Remember Mom this Mother's Day! Find a florist near you now.

Don Burger

From: Russell D. Hauge [RHauge@co.kitsap.wa.us]
Sent: Thursday, May 07, 2009 8:23 PM
To: Okelleyb@[redacted]
Subject: Re: Pending Transfer and Potential Sale of Kitsap Rifle and Revolver Club Concerns (May Absence)

I will be out of the office and unable to respond to your message until Monday, May 18, 2009.
If you need immediate assistance, please call my assistant, Rebecca Joliff, at 360 337 4799.
Russ Hauge,
Kitsap County Prosecuting Attorney