

**RESOLUTION NO. 02-45
CITY OF LIBERTY LAKE
SPOKANE COUNTY, WASHINGTON**

**A RESOLUTION OF THE CITY OF LIBERTY LAKE, WASHINGTON PROVIDING
FOR THE ACQUISITION OF THE VALLEY VIEW GOLF COURSE AND OTHER
MATTERS PROPERLY RELATING THERETO.**

WHEREAS, the City of Liberty Lake is duly incorporated pursuant to RCW Title 35A and has the authority to acquire real and personal property for municipal purposes;

WHEREAS, RCW 35A.79.010 and RCW 35.21.020 authorize the City of Liberty Lake through the City Council to purchase a golf course and to operate it for public and private purposes upon such compensation and rental as the City Council shall from time to time prescribe;

WHEREAS, the Valley View Golf Course is a nine-hole golf course with a driving range and club house located within the City of Liberty Lake;

WHEREAS, the Valley View Golf Course has been offered for sale and the City of Liberty Lake is desirous of purchasing for public purposes the Valley View Golf Course;

WHEREAS, the purchase of the golf course will allow the City to acquire a valuable public asset, provide for and protect open space within the City of Liberty Lake and enhance the future ability of the City to develop a City Hall, Youth and Community Center or other public facilities;

WHEREAS, in order to finance the acquisition of the golf course, the City will issue general obligation bonds to be repaid from both the revenue from the golf course and the City general fund; and

WHEREAS, the City Council desires through this resolution to exercise its corporate authority and provide for the acquisition of the Valley View Golf Course for public purposes.

NOW, THEREFORE, be it Resolved by the City Council of the City of Liberty Lake, Washington as follows:

Section 1. Acquisition of Golf Course.

The Mayor is authorized to execute in substantially the form attached hereto both the Asset Purchase Agreement and the Real Estate Purchase and Sale Agreement (with earnest money provisions) for the public purpose of acquiring the Valley View Golf Course located within the City of Liberty Lake.

Section 2. Due Diligence.

The Mayor and City Staff shall prior to closing the purchase of the Valley View Golf

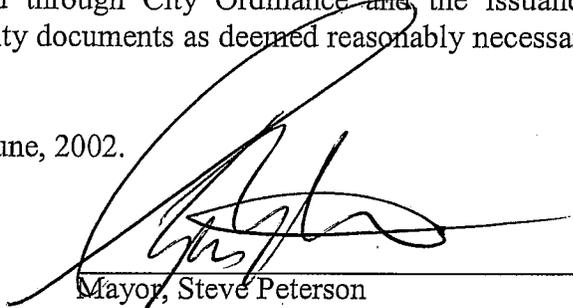
Course investigate and discover matters and conditions that relate to the real property, improvements, equipment, maintenance and operations of the golf course.

Section 3. Authority.

The Mayor and City staff are further authorized to do all things necessary in order to accomplish the transaction set forth in the Asset Purchase Agreement and the Real Estate Purchase and Sale Agreement including allocation and disbursement of funds associated with investigation of the business and property and closing of the transaction.

Section 4. Financing. The financing of the purchase price for the golf course and all improvements shall be accomplished through City Ordinance and the issuance of general obligation bonds and such other security documents as deemed reasonably necessary by the City Attorney and Bond Counsel.

Adopted this 4th day of June, 2002.



Mayor, Steve Peterson

ATTEST:



City Clerk, Arlene Fisher

Approved as to Form:



City Attorney

(Schedule 1.01(e))
REAL ESTATE PURCHASE AND SALE AGREEMENT
(With Earnest Money Provision)

This REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of June __, 2002, is made and entered into by and between The City of Liberty Lake, a Washington non-charter code city ("Buyer"), Reger Properties, L.L.C., a Washington limited liability company ("Seller") and Dennis Reger, Tina Marie Reger, and Shirley Dean, both individually and collectively as "Members".

1. Purchase Price: Credit.

The total Purchase Price for the business and property is Two Million Three Hundred Thousand Dollars (\$2,300,000.00) with a credit for Ten Thousand Dollars (\$10,000.00) received by Seller as earnest money payable as set forth in the Asset Purchase Agreement.

2. Property. The Property to be purchased is described on Exhibit A, attached hereto and incorporated herein.

3. Conditions Precedent.

This Agreement is made and executed by the parties hereto subject to the following conditions precedent:

A. Title Review. Seller shall immediately after execution of this Agreement ("Execution Date") at its sole cost and expense, obtain a preliminary title report on the Property and shall deliver a copy thereof, together with copies of all documents referred to therein, to Buyer. On or before July 31, 2002, Buyer shall notify Seller in writing of any objectionable exceptions to title contained in said report. If no such written notice of title objections is given on or before July 31, 2002, it shall be conclusively presumed that Buyer approves of the title to the Property. In the event Seller shall receive timely notice of any objection of Buyer to the title, Seller may, at its option, eliminate any such objectionable title exceptions. If Seller shall fail to eliminate any such objectionable title exceptions on or before the date of closing of escrow and the Buyer does not elect to waive the same in writing, this Agreement shall terminate. In the event of such termination, this Agreement shall be without any further force and effect, and without further obligation of either party to the other.

B. Survey and Feasibility Studies. Upon execution of this Agreement, Buyer and its agents and subcontractors are granted the privilege until closing to enter upon the Property for the purpose of inspecting and performing soil, water, environmental or other engineering and feasibility tests or studies of the Property (and improvements) to determine the suitability of the Property (and improvements) to Buyer. If Buyer determines the property is unsuitable for its purposes and elects not to proceed, Buyer shall notify Seller of such decision by August 15, 2002 and thereafter the Agreement shall be wholly void and neither party shall have further obligation to the other. If no such written notice of election to terminate shall be

given by Buyer to Seller, the Property shall be deemed suitable for Buyer's purposes. In the event Buyer terminates during this Agreement shall be of no further force and effect, and without further obligation of either party to the other.

Seller shall immediately upon execution of this Agreement provide to Buyer all information and documentation concerning the Property including, but not limited to, all land use applications and supporting materials, governmental reports and correspondence concerning the same, all property condition information, all utilities, water, sewer and improvements information, boundary survey or fencing information, environmental condition information and reports, and future marketing programs or proposals.

Seller shall provide, at no cost to Buyer, a ATLA land survey prior to closing.

C. Buyer's Access. In the event Buyer, its agents or contractors shall enter upon the Property for the purposes set forth in this Paragraph 2, or other reasonable purpose, such entry shall be subject to the following terms and conditions:

1. Buyer agrees to indemnify and save harmless Seller against and from any and all liability, loss, costs and expense of whatever nature growing out of personal injury to or death of persons whomsoever, or loss or destruction of or damage to property whatsoever, where such personal injury, death, loss, destruction or damage arises in connection with or incident to the occupation or use of the Property by, or the presence thereon of, Buyer, Buyer's agents, contractors, servants or licensees.

2. Buyer covenants and agrees to pay in full for all materials and for all persons who perform labor upon said Property, and not to permit or suffer any mechanic's or materialman's lien of any kind or nature to be enforced against the Property for any work done or material furnished thereon at the instance or request or on behalf of Buyer; and Buyer agrees to indemnify and hold harmless Seller against and from any and all liens, claims, demands, costs and expenses of whatever nature in any way connection with or growing out of such work done, labor performed or materials furnished prior to closing.

3. In the event the sale and purchase of the Property does not close, Buyer shall, as soon as possible and at Buyer's sole expense, restore the Property in reasonably similar condition as it was immediately prior to the time Buyer entered the Property.

4. Closing.

The purchase and sale hereunder shall be closed on or before September 3, 2002 or as soon thereafter as reasonably practicable in the office of the Escrow Agent. (See paragraph 11). Buyer and Seller shall deposit with Escrow Agent all instruments, documents and monies necessary to complete the sale in accordance with this Agreement. At closing, Buyer shall pay title insurance premium, all recording costs including Excise Tax, real estate commission and the closing escrow fee, as this closing is being performed by Buyers counsel. Seller and Buyer shall each pay their respective attorneys' fees for review of documents and other legal advice. Real Property taxes shall be paid by Seller as of 12:00 midnight on the day immediately preceding the

date of closing. Seller shall pay in full at closing all assessments and liens against the Property.

At closing, Seller shall execute and deliver all documents necessary to effect and complete the closing, including but not limited to, the following documents to be executed and delivered by Seller to Buyers:

A. A Statutory Warranty Deed, conveying good and marketable fee simple title to the Property, free and clear of all liens, restrictions and encumbrances, other than such matters as may be approved in writing by Buyer and those matters noted in Paragraph 4.C. (such matters are hereinafter referred to as the "Permitted Encumbrances").

B. An Assignment of Leases, if any, conveying a valid leasehold interest to the fee property, free and clear of restrictions and encumbrances, other than such matters as may be approved in writing by Buyer and those matters noted in paragraph 4C. (Such matters are hereinafter referred to as "Permitted Encumbrances"), the same having been paid current and not being then in default.

C. An Owners Standard Policy and Leasehold Owners Policy of Title Insurance ("Title Company") insuring Buyer's title and leasehold interest to the Property in the amount of the Purchase Price and containing no exceptions other than Permitted Encumbrances.

At the closing, Buyer shall execute and deliver all documents necessary to effect and complete the closing, including, but not limited to:

A. The Purchase Price, as set forth in Article II of the Asset Purchase Agreement by cashier's check or wire transfer.

B. Promissory Note, Deed of Trust or other evidence of indebtedness and related security documents, provided the Deed of Trust and security documents shall be released or reconveyed on portions of the Property to enable further development of the Property by Buyer. Nothing contained in this Section shall be construed to allow Buyer to unreasonably decrease Seller's security interest below the outstanding payment obligation.

5. Representations and Warranties of Seller.

In addition to the representations and warranties contained in other paragraphs of this Agreement, Seller hereby makes the representations and warranties herein set forth. Each representation and warranty: (i) is material and relied upon by Buyer; (ii) is true in all respects as of the date of this Agreement and shall be true in all respects on the closing date and shall survive closing; and (iii) shall continue in full force and effect regardless of what investigations Buyer shall have made with respect to the subject matter thereof.

A. Seller Sole Owner. Seller is the sole owner of (and Buyer will acquire) the entire right, title and interest in the Property, or, in the case of leased real property, Seller is the sole holder of (and Buyer will require) a valid leasehold interest or license interest in the Property.

B. Governmental Consents. Seller has obtained or will obtain before the closing date, all required consents, releases and permissions, and has complied with or will comply with all material statutes, laws, ordinances and regulations of any kind or nature, in order to effectively vest in Buyer good and indefeasible title to the Property.

C. Encumbrances and Encroachments. The Property is, and as of the closing date, will be free and clear of all liens, encumbrances, claims, rights, demands, easements, leases, agreements, covenants, conditions and restrictions of any kind or character (including, but without limitation, liens or claims for taxes, mortgages, or other title-retention agreements, deeds of trust, security agreement and pledges) except for those items which Buyer accepts as shown on a preliminary commitment for title and leasehold insurance issued by the Title Company which shall be agreed upon by Buyer (the "Permitted Exceptions") pursuant to paragraph 3A. Seller warrants and representing there are no encroachments on the Property from adjoining property.

D. Zoning. The Property is, or will be before the closing date, zoned or permitted for Buyer's existing use.

E. Use Not Permitted. To the best of Seller's knowledge, none of the easements, interests, covenants, conditions, restrictions or agreements to which the Property is or may be subject has interfered with, or may interfere with, the Seller's existing uses of the Property.

F. Governmental Compliance. All laws, ordinances, rules or regulations of any government or any agency, body or subdivision thereof, bearing upon the Property have been complied with by Seller.

G. Condemnation. There is no pending condemnation or similar proceeding affecting the Property or any portion thereof, and Seller has not received any written notice and has no knowledge that any such proceeding is contemplated.

H. Water Rights. Seller has sole ownership of and can convey all water rights ("rights") listed on Exhibit "B" attached hereto and incorporated herein by this reference. Seller has not received any notice and has no knowledge of (1) any violation of any of the rights or any applicable laws of the State of Washington concerning water rights, (2) contemplated condemnation, eminent domain or similar proceeding affecting said rights, nor of any pending or contemplated public improvements in or about the Property which may in any way affect the rights, (3) hidden, adverse or material negative condition in the rights or Property affected by the rights, (4) material damage or material repairs with respect to the rights and any equipment related thereto, (5) any existing or contemplated lawsuit, proceeding or investigation which is related to the rights. Except for Seller, there are no persons in possession of or that have any right, title or interest in and to the rights, water, and Property affected thereby. Seller has not, throughout the entire period of Seller's ownership of the rights, voluntarily failed, without sufficient cause, to exercise said water rights for five (5) or more consecutive years.

I. Environmental Condition. There are no hazardous or toxic or similarly

described substances (as defined under federal, state or local law, regulation, ordinance, resolution, or court or administrative decision or opinion) ("hazardous substances") on, over, or under the Property or adjacent properties or any known pending or contemplated claims, investigations, liens, actions or notices concerning the Property or adjacent properties.

Seller has not and will not release or waive the liability of any previous owner, lessee or operator of the Property or any party who may be potentially responsible for the presence of hazardous substances on or from the Property. Seller has made no promises of indemnification regarding hazardous substances to any party.

J. Leases, etc. Except as disclosed by Seller and the Title Company to the best of Seller's knowledge, there are no leases, subleases, licenses, concessions, outstanding options or rights of first refusal to purchase the parcel, or any portion thereof or interest therein, or other agreements, written or oral, granting to any person the right of ingress, egress, use or occupancy of, on, under, above or across any portion of the Property.

K. Persons in Possession. There are no persons (other than Seller) in possession of the Property.

L. Acreage. The Property contains approximately 60 acres of land.

M. Material Contracts. Seller has delivered to Buyer a list of the contracts with respect to the Property or any personal property owned by Seller thereon, and a list of all permits and the permits are current and have not been revoked, suspended, canceled or terminated.

N. Documents. Seller has delivered to Buyer correct and complete copies of all the documents referred to herein and in the Asset Purchase Agreement, as requested by Buyer or identified by the Title Company. With respect to each such agreement and to the best of Seller's knowledge, the rights therein are legal, valid, binding, enforceable and in full force and effect; will be following the consummation of the transactions contemplated hereby; no party thereto is in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default or permit termination, modification or acceleration thereunder. No party has refuted any provision thereof, there are no disputes, oral agreements or forbearance programs in effect as to any document; and Seller has not assigned, transferred, conveyed, mortgaged, deeded in trust, imposed a lien on or encumbered any estate or interest described in any document which has not been disclosed to Buyer.

6. Representations and Warranties of Buyer.

In addition to the representations and warranties contained in other paragraphs of this Agreement, Buyer hereby makes the representations and warranties herein set forth. Each representation and warranty: (i) is material and relied upon by Seller; and (ii) is true in all respects as of the date of this Agreement and shall be true in all respects on the closing date and shall survive closing.

A. Payment. Buyer represents that it has available sufficient debt capacity and general funds to pay the earnest money, close the sale, and make subsequent contemplated payments all in accordance with this Agreement.

7. Hazardous Substances Indemnity.

Seller agrees to indemnify and hold Buyer harmless from and against any demands, claims, damages, losses, liens, liabilities, penalties, fines, lawsuits and other proceedings and costs and expenses (including attorney's fees), arising directly or indirectly from or out of, or in any way connected with (1) the inaccuracy of the representations concerning hazardous substances made in this Agreement, (2) any activities on the Property which directly or indirectly resulted or will as a consequence thereof result in the Property or any other property becoming contaminated with hazardous substances, (3) the discovery of hazardous substances on the Property or any other property and (4) the clean-up of hazardous substances from the Property or any other properties. Seller acknowledges that it will be solely responsible for all costs and expenses relating to clean-up of any such hazardous substances from the Property or from any other properties which become contaminated with hazardous substances as a result of activities on or contamination of the Property. The matters against which Buyer is indemnified herein shall be reimbursable to Buyer as Buyer's obligations to make payments with respect thereto are incurred, without any requirement of waiting for ultimate outcome of any litigation, claim or other proceedings, and Seller shall pay to Buyer all sums so incurred within ten (10) days after notice from Buyer itemizing the amounts incurred to the date of such notice. The failure of Buyer to enforce any right or remedy hereunder, or to promptly enforce any such right or remedy, shall not constitute a waiver thereof nor give rise to any estoppel against the Buyer, nor excuse Seller from its obligations hereunder. Any waiver of such right or remedy must be in writing and signed by Buyer. This indemnity is subject to enforcement at law/equity, including actions for damages and/or specific performance.

8. Cooperation.

Buyer and Seller agree to cooperate in the execution of all documents or instruments necessary to effect the development of the Property requested by Buyer, and such other and further documentation as is required by either party to perform the obligations of the parties hereunder.

9. Default - Termination.

If either Buyer or Seller defaults, the non-defaulting party may seek rescission, specific performance or damages, except that Seller's remedy shall be limited as follows if both parties have initialed this section (initials of both parties is required):

In the event Buyer fails, without legal excuse, to complete the purchase of the Property, the earnest money deposit in Paragraph 1 made by Buyer to Seller shall be deemed paid in full as the sole and exclusive remedy available to Seller for such failure.

Buyer

Seller

10. Attorneys' Fees.

Should any party hereto bring any action against any other party related in any way to this Agreement, its validity, enforceability, scope or subject matter, the prevailing party or parties shall be awarded its or their reasonable attorneys' fees and costs incurred for prosecution, defense, consultation or advice in connection with such action.

11. Escrow Agent.

The Escrow Agent, Witherspoon, Kelley, Davenport & Toole, P.S., hereby accepts its designation as Escrow Agent hereunder and agrees to hold and disburse contract payments as herein provided. Escrow Agent shall not be liable for any acts taken in good faith, shall only be liable for its willful default or gross negligence, and may, in its sole discretion, rely upon the oral or written notices, communications, orders or instructions given by Buyer or Seller. In the event of a dispute between Buyer and Seller under this Agreement sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of any court of competent jurisdiction all money or property in its hands under the terms of this Agreement, together with such legal proceedings as it deems appropriate, and thereupon to be discharged from all further duties under this Agreement. Any such legal action shall be brought in the Superior Court of the State of Washington in and for the County of Spokane.

12. Notices.

All notices, demands, requests and other communications required or permitted hereunder shall be in writing, and shall be deemed to be delivered when actually received, or upon the expiration of three (3) days following deposit in the United States mail as set forth below.

If to Buyer: Mayor, City of Liberty Lake
1421 N. Meadowwood Lane, Suite 120
Liberty Lake, WA 99019

With Copy to : Stanley M. Schwartz
Witherspoon, Kelley, Davenport & Toole, P.S.
422 West Riverside, Suite 1100
Spokane, WA 99201

If to Seller:

Valley View Golf Course, L.L.C.
c/o Dennis Reger
1922 South Sunrise
Spokane, WA 99206

Jimmy Bates
Windemere Valley Inc.
12929 East Sprague Avenue
Spokane, WA 99216

13. Survival.

All warranties, representations, indemnities and agreements contained herein or arising out of the sale of the Property by Seller to Buyer (including, but not limited to, Seller's and Buyer's warranties, representations and agreements) shall survive the delivery and recordation of the Statutory Warranty Deed, the payment and delivery of the Purchase Price, and the closing of the purchase and sale of the Property.

14. Governing Law.

The laws of the State of Washington shall govern the validity, enforcement and interpretation of this Agreement.

15. Integration; Modification; Waiver.

This Agreement, exhibits and closing documents pursuant to this Agreement constitute the complete and final expression of the Agreement of the parties relating to the Property. This Agreement cannot be modified, or any of the terms hereof waived, except by an instrument in writing (referring specifically to this Agreement) executed by the party against whom enforcement of the modification or waiver is sought.

16. Counterpart Execution.

This Agreement may be executed in several counterparts, each of which shall be fully effective as an original, and all of which together shall constitute one and the same instrument.

17. Time of the Essence.

Time is of the essence of this Agreement and of the obligations of the parties to purchase and sell the Property, it being acknowledged and agreed by and between the parties that any delay in effecting a closing pursuant to this Agreement may result in loss or damage to the party in full compliance with its obligations hereunder.

18. Invalid Provisions.

If any one or more of the provisions of this Agreement, or the applicability of any such provision to a specific situation, shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of this Agreement and all other applications of any such provision shall not be affected hereby.

19. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of Seller and Buyer, and their respective heirs, successors and assigns.

20. Further Acts.

In addition to the acts recited in this Agreement to be performed by Seller and Buyer, Seller and Buyer agree to perform or cause to be performed at the closing or after the closing any and all such further acts as may be reasonably necessary to consummate the transactions contemplated hereby.

Seller acknowledges that this Agreement does not bind the City of Liberty Lake until the Liberty Lake City Council authorizes the Mayor to execute this Agreement. The City Administrator will exercise best efforts to obtain City Council approval.

21. Risk of Loss.

If, prior to closing, any portion of the Property or any improvements on the Property are destroyed or materially damaged by fire or other casualty, Buyer may elect to terminate this Agreement.

22. Possession.

Buyer shall be entitled to possession on closing.

IN WITNESS WHEREOF, the parties have executed the foregoing Agreement as of the date appearing above.

BUYER:

CITY OF LIBERTY LAKE

Mayor Steve Peterson

Attest:

City Clerk-Treasurer, Arlene Fisher

Approved as to Form:

Stanley M. Schwartz, City Attorney

SELLER:

REGER PROPERTIES, L.L.C.,
a Washington limited liability company

By: Dennis Reger
Its: Member

By: Tina Marie Reger
Its: Member

By: Shirley Dean
Its: Member

MEMBERS:

DENNIS REGER

TINA MARIE REGER

SHIRLEY DEAN

FILED OR RECORDED
REQUEST OF PIONEER NATIONAL TITLE

MAR 6 9 19 AM '84

WILLIAM E. DONAHUE
AUDITOR
SPOKANE COUNTY, WASH.
DEPUTY

5 67

EXHIBIT "A"

(Schneidmiller-Reger)

A parcel of land located in Section 15, Township 25 North, Range 45 East, W.M., in Spokane County, Washington, being more particularly described as follows:

Beginning at the intersection of the Westerly prolongation of the Southerly margin of Mission Avenue realigned as per Right of Way Deed dated August 16, 1982, recorded August 23, 1982 in Volume 603 of Deeds, Page 937 under Auditor's No. 8208230241 and the centerline of Liberty Lake Road (CRP No. 544); thence Northeasterly along the Southerly margin of said Mission Avenue, the following two (2) courses: (1) North 68°43'39" East, 229.72 feet to the beginning of a curve concave to the Northwest having a radius of 554.00 feet; (2) thence Easterly along said curve through a central angle of 25°32'43" an arc distance of 247.00 feet; thence South 63°15'00" East, 1000.15 feet; thence South 36°09'05" West, 481.46 feet; thence South 27°52'51" East, 847.42 feet; thence South 21°08'53" East, 290.00 feet; thence South 68°00'00" West, 25.00 feet; thence South 21°08'20" East, 810.01 feet; thence South 04°46'49" East 353.90 feet; thence South 11°29'35" East 347.24 feet; thence South 20°59'20" East, 43.82 feet to a point hereinafter to be known as Point "A"; thence South 74°45'40" West, 659.58 feet to the centerline of said Liberty Lake Road; thence Northerly along said centerline the following two (2) courses: (1) North 20°59'35" West, 2819.31 feet to an angle point (STA 20+00 CRP No. 544); (2) thence North 21°16'21" West, 727.46 feet to the point of beginning.

EXCEPT Liberty Lake Road right of way; and,

EXCEPT a right of way 75 feet in width across Section 15 awarded to Spokane Valley Land and Water Company, by decree in Case No. 22999 of the Superior Court of Spokane County, which decree also awards to said Spokane Valley Land and Water Company all of the water which formerly stood in that portion of the arm of Liberty Lake which lay within said Section 15.

plot map

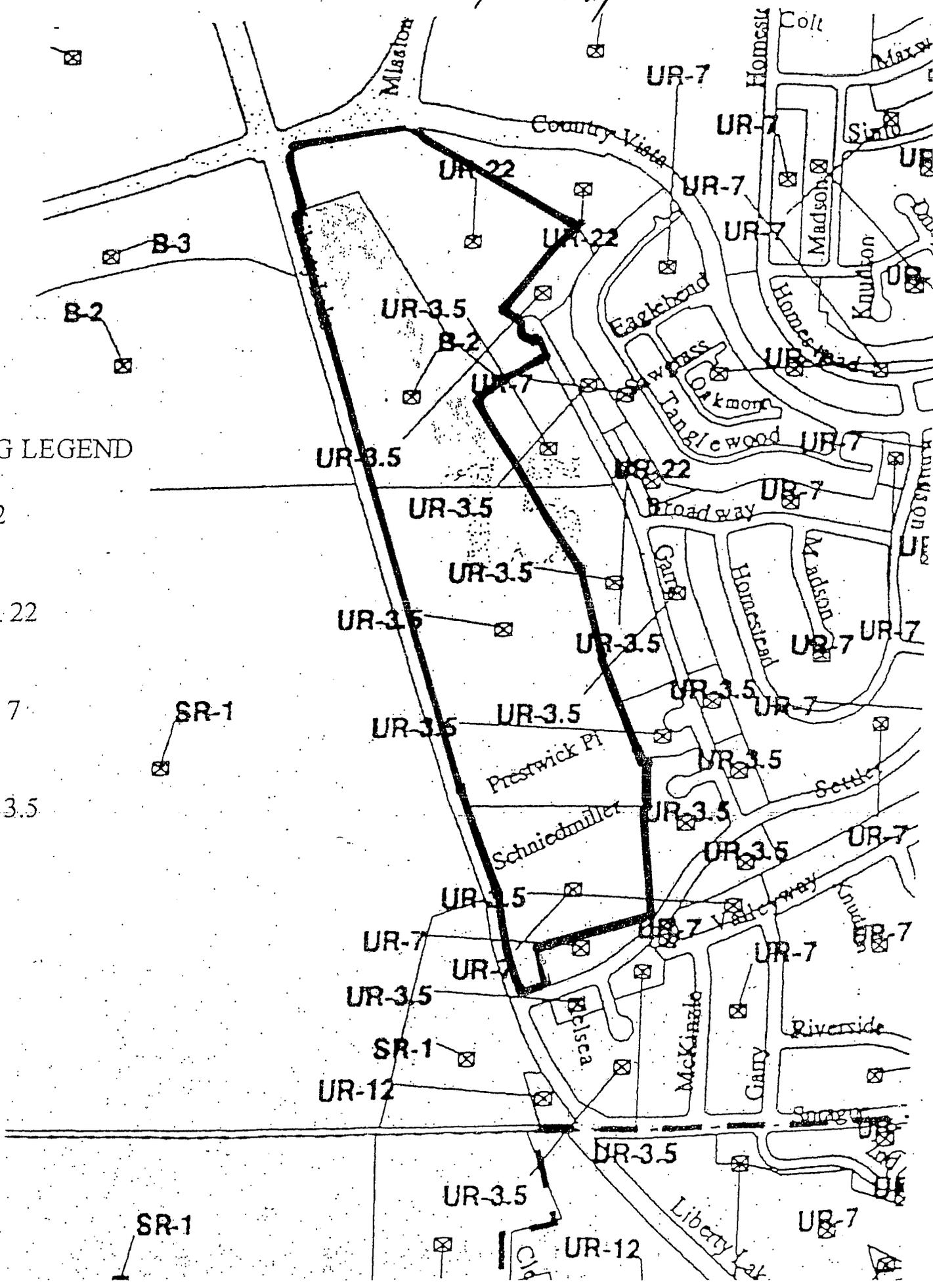
ZONING LEGEND

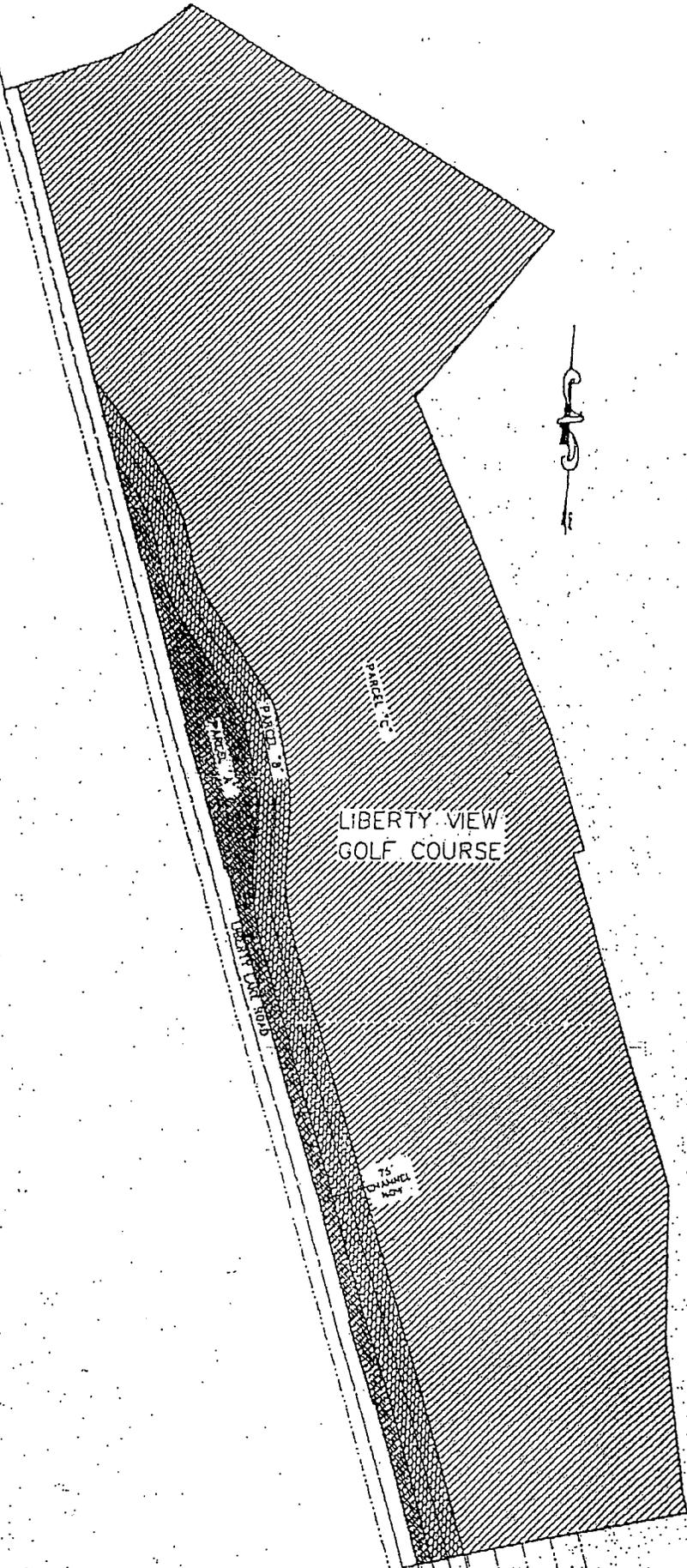
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UR-22

UR-7

UR-3.5





Eastern Regional Office

WRATS REPORT BY TRS

ALL ACTIVE DOCUMENTS WITHIN WRIA 57

CONTROL NUMBER	TYPE/STAT	BUSINESS/PERSON NAME	PRIORITY DATE	WRIA CODE	COUNTY NAME	Q1	ACRE FT/YR	ACRES IRR	DOM UNITS	PURPOSES	SOURCE	TRS	QUAD
G3-03498C	GA	LIBERTY LAKE SEWER D	11/18/92	57	SPOKANE	2000.000	1300.00		0		WELL	T25N/R45E-15	NE/4NW/4
G3-03498C		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NW/4NW/4
G3-03498C		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	SE/4SE/4
G3-00811C	GA	LIBERTY LAKE SEWER D	11/18/92	57	SPOKANE	825.000	430.00		0		WELL	T25N/R45E-15	SE/4SE/4
G3-00811C		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NE/4NW/4
G3-01023C	GA	LIBERTY LAKE SEWER D	11/18/92	57	SPOKANE	2250.000	1680.00		0		WELL	T25N/R45E-15	NW/4NW/4
G3-26247	GA	LIBERTY LAKE SEWER D	11/18/92	57	SPOKANE	2100.000	1825.00		0		WELL	T25N/R45E-15	SE/4SE/4
G3-26247		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NW/4NW/4
G3-26247		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NE/4NW/4
G3-26247	CE	LIBERTY LAKE SEWER D	5/17/79	57	SPOKANE	2100.000	1825.00		0	MU.	WELL	T25N/R45E-15	SE/4SE/4
G3-29362	AP	LIBERTY LAKE SEWER D	11/18/92	57	SPOKANE	1500.000			0	MU.	WELL	T25N/R45E-15	NW/4NW/4
G3-29362		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NE/4NW/4
G3-29362		LIBERTY LAKE SEWER D	11/18/92						0			T25N/R45E-15	NW/4NW/4
G3-00811C	CE	LIBERTY LAKE UTILITI	3/26/69	57	SPOKANE	825.000	430.00		0	DM.	WELL	T25N/R45E-15	SE/4SE/4
G3-03498C -01978	CE	WATKINS, W	1/28/54	57	SPOKANE	2000.000	1300.00		400	IR-DG.	WELL	T25N/R45E-15	NE/4NW/4
G3-03498C -01978		WATKINS, W	1/28/54						400			T25N/R45E-15	NE/4NW/4
G3-01978	CE	WATKINS, W	1/28/54	57	SPOKANE	1500.000	1062.00		354	IR-DM.	WELL	T25N/R45E-15	NE/4NW/4
G3-12229CL	CL [L]	INLAND EMPIRE PAPER	0/0/1929	57	SPOKANE	4500.000	7200.00		400	DG IR	WELL	T25N/R45E-16	NW/4NW/4
G3-27708	PE	CONSOLIDATED IRRIGAT	12/07/83	57	SPOKANE				2500	MU-IR.	WELL	T25N/R45E-17	SE/4SN/4
G3-27708		CONSOLIDATED IRRIGAT	12/07/83						2500			T25N/R45E-17	SE/4SN/4
G3-27708		CONSOLIDATED IRRIGAT	12/07/83						2500			T25N/R45E-17	SE/4SN/4
G3-27708		CONSOLIDATED IRRIGAT	12/07/83						2500			T25N/R45E-17	SE/4SN/4
G3-27708		CONSOLIDATED IRRIGAT	12/07/83						2500			T25N/R45E-17	SE/4SN/4
G3-27708		CONSOLIDATED IRRIGAT	12/07/83						2500			T25N/R45E-17	SE/4SN/4
G3-00672SMRIS -00842	CE	CORBIN WTR DIST 4,	8/01/17	57	SPOKANE	460.000	123.00		0	DM.	WELL	T25N/R45E-17	NW/4NW/4
G3-01060CMRIS -00438	CE	CORBIN WTR DIST 4,	12/16/48	57	SPOKANE	460.000	128.00		0	DM.	WELL	T25N/R45E-17	SW/4NW/4
G3-00725SMRIS -00752	CE	NILSON-O-B,	1/01/10	57	SPOKANE	80.000	94.00		0	MU.	WELL	T25N/R45E-17	SW/4NW/4
G3-01085CMRIS -02025	CE	NILSON O B,	3/21/49	57	SPOKANE	220.000	124.00		0	DM.	WELL	T25N/R45E-17	NW/4
G3-01244CMRIS -00617	CE	SPOKANE GUN CLUB INC	9/26/49	57	SPOKANE	250.000	10.00		0	DG.	WELL	T25N/R45E-17	SW/4SE/4

NOTE

This report contains information about water right Certificates, Permits, and Claims. Because of unauthorized changes or non-use, Ecology cannot guarantee the validity of the Permits, and Certificates. Validity of Claims can only be determined in Superior Court. You are encouraged to verify that current use is consistent with the document as described.

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of June ____, 2002, is made and entered into by and between The City of Liberty Lake, a Washington non-charter code city ("Buyer"), Reger Properties, L.L.C., Tenth Hole Bar and Grill, L.L.C., Vallèy View Golf Course, L.L.C., all Washington limited liability companies ("Seller") and Dennis Reger, Tina Marie Reger, and Shirley Dean, both individually and collectively as "Members".

WHEREAS, Seller is in the business of owning and operating a golf course and food establishment known as the Valley View Golf Course and 10th Hole Restaurant and Lounge, respectively (the "Business") ; and

WHEREAS, the Seller and Members are desirous of selling the assets of the Business to Buyer; and

WHEREAS, the Buyer is desirous of purchasing the assets of the Business from Seller.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

TRANSFER OF ASSETS; ASSUMPTION OF LIABILITIES

1.01 Transfer of Assets. On the terms and subject to the conditions set forth in this Agreement, Seller shall, at the Closing (as defined in Section 3.01 hereof), sell, transfer and assign to Buyer, and Buyer shall purchase and acquire from Seller, all of Seller's right, title and interest, as of the Closing Date (as defined in Section 3.01 hereof), in and to all of the assets of Seller related to, or used in conjunction with, the Business (collectively, except for the excluded assets set forth in Section 1.02 hereof, the "Assets"), including, but not limited to:

(a) All of Seller's assets used in the Business including, without limitation, inventories of supplies, tools, merchandise, equipment, parts, and Seller's interest in all orders or contracts for the purchase of supplies, parts, and inventory, all as described in Schedule 1.01(a);

(b) Copies of Seller's books, records and all files, documents, books of account and information relating to the Assets or the Business, including, without limitation, all inventory records, purchase orders and invoices, sales orders and sales order log books;

(c) The current telephone listings of the Business and the right to use the name and telephone numbers currently being used at the principal office and other

office or facility of the Business;

(d) Goodwill, all related intangibles and supplier lists which Seller uses in the conduct of the Business and all rights to continue to use the Assets in the conduct of a going business; and

(e) The real property ("Real Property") owned by Seller and used by Seller in the operation of the Business, which real property shall be purchased and sold pursuant to the agreement attached hereto as Schedule 1.01(e).

The parties hereto expressly agree that Buyer is not assuming any of the liabilities, obligations or undertakings relating to the foregoing Assets, except for those liabilities and obligations specifically assumed by Buyer in Section 1.03 hereof.

1.02 Excluded Assets. Notwithstanding the terms of Section 1.01, the following assets shall be retained by Seller and shall not be sold, transferred or assigned to Buyer in connection with the purchase of the Assets: All cash and cash equivalents (including accounts receivable or contracts receivable) on hand as of the Closing Date.

1.03 Liabilities. Buyer shall assume, pay, perform in accordance with their terms or otherwise satisfy, as of the Closing Date only the liabilities of Seller set forth and described in Schedule 1.03 attached hereto. Seller shall retain, and Buyer shall not assume, and nothing contained in this Agreement shall be construed as an assumption by Buyer of any liabilities, obligations or undertakings of Seller of any nature whatsoever, whether accrued, absolute, fixed or contingent, known or unknown due or to become due, unliquidated or otherwise other than those listed on Schedule 1.03.

ARTICLE II

PURCHASE PRICE

2.01 Amount. The total purchase price for the Assets shall be Two Million Three Hundred Thousand Dollars (\$2,300,000).

2.02 Manner of Payment. Buyer shall pay the Purchase Price for the Assets to Seller as follows:

(a) No less than Five Hundred Thousand Dollars (\$500,000) in cash at Closing; and

(b) The balance by a Promissory Note of the Buyer bearing 4.75% tax exempt interest which shall be paid with substantially equal monthly payments of principal and interest over a period of time not to exceed fifteen (15) years. The Promissory Note shall be secured by a first deed of trust on the Real Property and a first

position security interest in all other assets being purchased hereunder.

2.03 Allocation of Purchase Price. The Buyer and Seller have allocated the Purchase Price among the Assets as set forth on Schedule 2.03. Seller shall prepare for filing all of the Returns (as defined in Section 4.12(a)) that may be required with respect to the transaction provided for herein pursuant to Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), any Treasury Regulations promulgated thereunder, any other similar provision of the Code and any other similar, applicable foreign, state or local tax law or regulation.

2.04 Earnest Money Deposit. The Buyer has deposited the sum of \$10,000.00 in the trust account of Windermere Valley, Inc. as an earnest money deposit. The deposit and interest income earned upon it will belong to the Buyer. At the closing, the earnest money deposit, including interest, shall be applied against the cash portion of the purchase price. If the closing of this Agreement fails to occur on account of the failure of any of the conditions to Buyer's obligations as set forth at paragraph 8.01 hereinafter; on account of breach by the Seller, or termination of the Agreement by the Buyer or the Seller pursuant to the provisions of paragraph 9.01 hereinafter the earnest money deposit plus interest earned will be paid to the Buyer. The earnest money deposit, but not the interest earned thereon, will be forfeited to the Seller, if the Buyer fails to close the transaction for a reason other than those set forth above.

ARTICLE III

CLOSING

3.01 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Witherspoon, Kelley, Davenport & Toole, P.S., 1100 U.S. Bank Building, West 422 Riverside Avenue, Spokane, Washington. The parties agree to use their best efforts to close on or before July 31, 2002, but in any event, closing shall take place on or before September 3, 2002, or on such other date as is mutually agreeable to Buyer and Seller. The date on which the Closing occurs is referred to herein as the "Closing Date," and the Closing shall be deemed effective as of 8:00 a.m., Washington time, on the Closing Date.

3.02 General Procedure. At the Closing, each party shall deliver to the party entitled to receipt thereof the documents required to be delivered pursuant to Article VIII hereof and such other documents, instruments and materials (or complete and accurate copies thereof, where appropriate) as may be reasonably required in order to effectuate the intent and provisions of this Agreement, and all such documents, instruments and materials shall be satisfactory in form and substance to counsel for the receiving party.

(a) For payment of the promissory note, the closing agent shall establish an escrow account with Allegro Escrow.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER AND MEMBERS

Seller and Members hereby represents and warrants to Buyer that:

4.01 Formation and Corporate Power. Seller is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Washington. Seller is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other jurisdictions in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary. Seller has all requisite corporate power and authority and all authorizations, licenses, permits and certifications necessary to carry on the Business as now being conducted and to own, lease and operate the Assets. Seller is not in default with respect to any order of any court, governmental authority or arbitration board or tribunal to which Seller is a party or is subject.

4.02 Subsidiaries. The Assets do not include any stock, partnership interest, joint venture interest or any other security or ownership interest issued by any other corporation, organization or entity.

4.03 Execution, Delivery; Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized by the appropriate company officials of Seller, and no other proceedings on its part are necessary to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by Seller and, assuming that this Agreement is the valid and binding agreement of Buyer, constitutes the valid and binding obligation of Seller, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights or by general principles of equity.

4.04 Authority; No Breach. Seller has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Seller and the consummation of the transactions contemplated hereby do not conflict with or result in any breach of any of the provisions of, or constitute a default under, result in a violation of the provisions of the Certificate of Formation or Operating Agreement of Seller or any indenture, mortgage, lease, loan agreement or other agreement or instrument by which Seller or the Assets are bound or affected, the result of which would have a material adverse effect on the Business or financial condition of the Business.

4.05 Governmental Authority; Consents. The Seller is not required to submit any notice, report or other filing with any governmental authority in connection with the

execution or delivery by it of this Agreement or the consummation of the transactions contemplated hereby. No consent, approval or authorization of any governmental or regulatory authority is required to be obtained by Seller in connection with its execution, delivery and performance of this Agreement.

4.06 Financial Statements. Seller has delivered, or will deliver, to Buyer copies of compiled financial statements of Seller for the two most recent fiscal years, as well as the federal income tax returns and Washington State excise tax returns for the two most recent fiscal years (collectively, the "Annual Financial Statements"). The Annual Financial Statements are based upon the information contained in the books and records of Seller and fairly and fully present, in all respects, the financial condition of the Seller as of the dates thereof and results of operations of the Seller and the Business for the periods referred to therein. The Annual Financial Statements have been prepared in accordance with generally accepted accounting principles.

4.07 Absence of Undisclosed Liabilities. With respect to the Assets or the operations of the Business, Seller is not aware of any liabilities (whether accrued, absolute, contingent, unliquidated or otherwise, whether due or to become due, whether known or unknown, and regardless of when asserted) which may have a material adverse effect on the Assets or the Business.

4.08 No Material Adverse Changes. To the knowledge of Seller since the date of the Annual Financial Statements, there has been no materially adverse change in the Assets or financial condition of the Business.

4.09 Absence of Certain Developments. Since the date of the latest Annual Financial Statement, Seller has not in each case, with respect to the Business:

(a) borrowed any amount or incurred or become subject to any liability (fixed or contingent) except normal trade or business obligations incurred in the ordinary course of business and consistent with past practice, none of which are materially adverse;

(b) mortgaged, pledged or subjected to any lien, security interest, charge or any other encumbrance, any of the Assets except (i) liens for current property taxes not yet due and payable, (ii) liens imposed by law and incurred in the ordinary course of business for obligations not yet due to carriers, warehousemen, laborers, or materialmen, and (iii) liens in respect of pledges or deposits under workers' compensation laws;

(c) discharged or satisfied any lien, security interest or encumbrance or paid any obligation or liability (fixed or contingent), other than current liabilities paid in the ordinary course of business;

(d) sold, assigned, leased or transferred or otherwise disposed of any assets or properties (tangible or intangible) of the Business or canceled or compromised

any debts or claims, in each case, except in the ordinary course of business;

(e) except in the ordinary course of business and consistent with past practice acquired any assets or properties;

(f) waived or released any rights of material value or suffered any extraordinary losses or adverse changes in collection loss experience, whether or not in the ordinary course of business or consistent with past practice;

(g) taken any other action or entered into any other transaction other than in the ordinary course of business and in accordance with past practice, other than the transactions contemplated by this Agreement;

(h) suffered any material theft, damage, destruction, casualty or loss of or to any property or properties owned or used by it in connection with the Business, whether or not covered by insurance;

(i) made or granted any wage or salary increase to any employee, entered into any employment contract with, or made any loan to, or entered into any material transaction of any other nature with, any officer or employee of Seller;

(j) with respect to the Business, entered into any material transaction, contract or commitment, except for this Agreement and the transactions contemplated hereby; or

(k) between the date of this Agreement and the Closing hereunder, Seller will not, without the prior written consent of Buyer, do any of the things listed in Sections 4.09(a) through 4.09(j).

4.10 Title to Properties.

(a) The Real Property constitutes all of the real property used or occupied by the Seller in connection with the Business.

(b) Seller owns good and marketable title to each of the Assets, including the Real Property, to be acquired by Buyer pursuant to Section 1.01, free and clear of all liens, security interests, mortgages, lien charges, encumbrances or adverse claims of any kind or character and encumbrances, except for (i) liens for taxes not yet due or delinquent (ii) assets disposed of in the ordinary course of business and consistent with past practices, (iii) liens imposed by law and incurred in the ordinary course of business for obligations not yet due, (iv) liens in respect of pledges or deposits under workers' compensation laws, and (v) liens voluntarily created in the ordinary course of business.

4.11 Condition of Assets.

To the knowledge of the Seller the tangible personal property to be acquired by Buyer pursuant to Section 1.01 is all in good operating condition, subject to normal wear and tear in the ordinary course of business.

4.12 Tax Matters

(a) Seller has: (i) duly and timely filed (or has had timely filed on behalf of Seller) all returns, declarations, reports, estimates, information returns, and statements ("Returns") required to be filed or sent by it in respect of any "Taxes" (as defined in subsection (f) below) or required to be filed or sent by it by any taxing authority having jurisdiction; and (ii) timely and properly paid (or has had paid on its behalf) all Taxes shown to be due and payable on such Returns.

(b) No deficiency in payment of Taxes for any period exists or has been asserted by any taxing body and remains unsettled at the date of this Agreement. There are no liens for Taxes upon any of the Assets, except liens for Taxes not yet due.

(c) For purposes of this Agreement, the term "Taxes" means all taxes, charges, fees, levies, or other assessments, relating to Seller imposed by any federal, state, local or foreign taxing authority.

4.13 Contracts and Commitments. Seller has performed all obligations required to be performed by it in connection with any contracts or commitments by which it is bound and is not in receipt of any claim of default under such any contract or commitment; Seller has no present expectation or intention of not fully performing any material obligation pursuant to any such contract or commitment; and Seller has no knowledge of any breach or anticipated breach by any other party to any such contract or commitment. True and complete copies of all documents and complete descriptions of all oral understandings, if any, referred to in this Section 4.13 have been provided or made available to Buyer and its counsel.

4.14 Litigation. There are no actions, suits or proceedings (including arbitration proceedings) with respect to Seller involving claims by or against Seller or the Assets which are pending or threatened against Seller or the Assets, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality. No basis for any such action, suit or proceeding exists, and there are no orders, judgments, injunctions or decrees of any court or governmental agency with respect to which Seller or the Assets have been named or to which Seller is a party, which apply, in whole or in part, to the business of Seller, or to the Assets or which would result in any material adverse change in the Business or prospects of Seller.

4.15 Insurance. Schedule 4.15 sets forth and describes each insurance policy maintained by Seller with respect to the Assets and operations of the Business and sets

forth the date of expiration of each such insurance policy. All of such insurance policies are in full force and effect. Seller is not in default with respect to its obligations under any of any insurance policies relating to the Assets or the Business.

4.16 Compliance with Laws; Permits.

(a) Except as otherwise disclosed on Schedule 4.16(a), Seller is not in violation of or default under any law, regulation or order applicable to it, the effect of which, individually or in the aggregate with such other violations and defaults, could reasonably be expected to have a material adverse effect on the business or financial condition of the Business.

(b) Seller has, in full force and effect, all licenses, permits and certificates from state and local authorities used in or necessary to and, individually or in the aggregate, material to the operation of the Business (collectively the "Permits"). Seller has conducted its business in substantial compliance with all material terms and conditions of the Permits. All Permits are assignable to Buyer except those set forth and described in Schedule 4.16(b).

4.17 Labor Controversies. Seller is not a party to any collective bargaining agreement. There are no controversies between Seller and any of its employees which might reasonably be expected to materially adversely affect the conduct of its Business, or any unresolved labor union grievances or unfair labor practice or labor arbitration proceedings pending or threatened relating to its business, and there are not any organizational efforts presently being made or threatened involving any of Seller's employees. Seller has not received notice of any claim that Seller has not complied with any laws relating to the employment of labor, including any provisions thereof relating to wages, hours, collective bargaining, workers compensation, the payment of social security and similar taxes, equal employment opportunity, employment discrimination and employment safety, or that Seller is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing. Seller has made no promises, express or implied, concerning the employment by Buyer of Seller's employees after the Closing Date.

4.18 No Misrepresentation or Known Omission. Neither this Agreement, any Schedules hereto nor any of the financial statements referred to in Section 4.06 hereof, taken as a whole, knowingly omit a material fact or contain any untrue statement of a material fact regarding the Seller, the Assets, or the Business or any of the other matters dealt with in this Agreement relating to the Seller or the transactions contemplated by this Agreement.

4.19 Environmental Matters. To the best of its knowledge and the Members, the Seller has not transported or disposed of nor contracted for the transportation or disposal of nor owned, operated and/or leased a storage or treatment disposal facility which contained or contains any hazardous wastes, medical wastes, hazardous substances, radioactive waste or sewage sludges; and, all of its activities have been

conducted in accordance with all laws and regulations relating to the handling of such materials. The Seller has not received any notice of, and has no knowledge of any occurrence or circumstance which with notice or passage of time or both would give rise to a claim by any third party or by any governmental authority under or pursuant to any federal, state or local environmental statute or regulation or under common law, pertaining to toxic or hazardous substances or solid or hazardous waste. The Seller has not received a notice of any violation of a type referred to in any portion of this Section 4.19 which has not been corrected.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that:

5.01 Municipal Existence and Power. Buyer is a Washington State Title 35A Non-Charter Code City with the requisite municipal power and authority to enter into this Agreement and perform its obligations hereunder.

5.02 Execution, Delivery; Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite municipal action. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights or by general principles of equity.

5.03 No Breach. The execution, delivery and performance of this Agreement by Buyer and the consummation by Buyer of the transactions contemplated hereby do not conflict with or result in any breach of any of the provisions of, constitute a default under, result in a violation of, result in the creation of a right of termination or acceleration or any lien, security interest, charge or encumbrance upon any assets of Buyer, or require any authorization, consent, approval, exemption or other action by or notice to any court or other governmental body, under the provisions of the Charter of Buyer or any indenture, mortgage, lease, loan agreement or other agreement or instrument by which Buyer is bound or affected, or any law, statute, rule or regulation or order, judgment or decree to which Buyer is subject.

5.04 Governmental Authorities; Consents. Buyer is not required to submit any notice, report or other filing with any governmental authority in connection with the execution or delivery by it of this Agreement or the consummation of the transactions contemplated hereby. No consent, approval or authorization of any governmental or regulatory authority (other than approval as represented in Section 5.02) or any other party or person is required to be obtained by Buyer in connection with its execution,

delivery and performance of this Agreement or the transactions contemplated hereby.

ARTICLE VI

COVENANTS OF SELLER

6.01 Conduct of the Business.

(a) Affirmative Covenants. In connection with the Assets or the Business, Seller agrees that, from the date hereof until the Closing Date, without the prior written consent of Buyer:

(i) The Business shall be conducted only in, and Seller shall not take any action except in, the ordinary course of business and consistent with past practice;

(ii) Seller shall (i) preserve intact the organization and goodwill of the Business, keep available the services of Seller's employees as a group and maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with Seller in connection with the Business; (ii) confer on a regular and frequent basis with representatives of Buyer to report operational matters and the general status of ongoing operations with respect to the Business; (iii) not take any action which would render, or which reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue at the Closing; (iv) notify Buyer of any emergency or other change in the normal course of the Business or in the operation of the properties of the Business and of any governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) if such emergency, change, complaint, investigation or hearing would be material, individually or in the aggregate, to the business, operations or financial condition of Seller or to Seller's or Buyer's ability to consummate the transactions contemplated by this Agreement; and (v) promptly notify Buyer in writing if Seller shall discover that any representation or warranty made by it in this Agreement was made, or has subsequently become, untrue in any respect.

6.02 Access. Between the date hereof and the Closing Date, Seller shall afford to Buyer and its authorized representatives (the "Buyer's Representatives") access at reasonable times and upon reasonable notice:

(i) to the offices, real and personal properties, books, records, managers, employees and other items of the Business; and

(ii) afford Buyer and its representatives reasonable access, in coordination with Seller, throughout the period prior to the Closing Date to its present and potential customers and suppliers, and Buyer and its authorized

representatives shall have the right to contact such customers and suppliers and conduct such due diligence investigation relating to customer relations and the suppliers as Buyer deems reasonably necessary or appropriate.

6.03 Regulatory Filings. As promptly as practicable after the execution of this Agreement, Seller shall make or cause to be made all filings and submissions under any laws or regulations applicable to the Business for the consummation of the transactions contemplated herein. Seller will coordinate and cooperate with Buyer in exchanging such information, and will provide such reasonable assistance as Buyer may request in connection with all of the foregoing.

(a) Buyer is authorized (and Seller will cooperate) to submit applications to the State and local governments for the transfer of licenses and permits used in Seller's Business provided no transferred license or permit shall be effective prior to closing.

6.04 Conditions. Seller shall take all commercially reasonable actions necessary to cause the conditions set forth in Section 8.01 to be satisfied and to consummate the transactions contemplated herein as soon as reasonably possible after the satisfaction thereof (but in any event within three business days of such date).

6.05 No Negotiations, etc. Except as a contingency plan in the event of termination of this Agreement, Seller shall not directly or indirectly, through any member, manager, agent or otherwise, solicit, initiate or encourage submission of any proposal or offer from any person or entity (including any of its or their officers or employees) relating to any liquidation, dissolution, recapitalization, merger, consolidation or acquisition or purchase of all or a material portion of the Assets of, or any equity interest in, Seller or other similar transaction or business combination involving Seller or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person or entity to do or seek any of the foregoing. Offers received from third parties relating to the purchase of the Assets prior to the date of this Agreement shall not constitute a breach of this provision nor shall any contacts initiated by third parties to Seller prior to the Closing Date, so long as Seller takes no action to respond or negotiate with respect to such offers and/or contacts.

ARTICLE VII

COVENANTS OF BUYER

Buyer covenants and agrees with Seller as follows:

7.01 Regulatory Filings. As promptly as practicable after the execution of the Agreement, Buyer shall make or cause to be made all filings and submissions under

any laws or regulations applicable to Buyer for the consummation of the transactions contemplated herein. Buyer will coordinate and cooperate with Seller in exchanging such information, and will provide such reasonable assistance as Seller may request in connection with all of the foregoing.

7.02 Conditions. Buyer shall take all commercially reasonable actions necessary to cause the conditions set forth in Section 8.02 to be satisfied and to consummate the transactions contemplated herein as soon as reasonably possible after the satisfaction thereof (but in any event within three business days of such date).

ARTICLE VIII

CONDITIONS TO CLOSING

8.01 Conditions to Buyer's Obligations. The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions on or before the Closing Date:

(a) The representations and warranties set forth in this Agreement and the Schedules (including the Real Estate Purchase and Sale Agreement) hereto shall be true and correct in all material respects at and as of the Closing Date as though then made;

(b) Seller shall have performed in all material respects all of the covenants and agreements required to be performed or satisfied under this Agreement (and the Real Estate Purchase and Sale Agreement) prior to the Closing;

(c) Seller shall have assigned to Buyer those agreements, trademarks, trade names and permits which are included in the Assets;

(d) There shall not be threatened, instituted or pending any action or proceeding, before any court, arbitration panel or governmental authority or agency, domestic or foreign, (i) challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, the consummation of the transactions contemplated hereby seeking to impose any conditions on the transactions contemplated hereby or seeking to obtain material damages in connection with such transactions, (ii) seeking to prohibit direct or indirect ownership or operation by Buyer of all or a material portion of the Assets, or to compel Buyer or any of its subsidiaries to dispose of or to hold separately all or a material portion of the business or assets of Buyer and its subsidiaries, as a result of the transactions contemplated hereby, (iii) seeking to invalidate or render unenforceable any material provision of this Agreement, or (iv) otherwise relating to and materially adversely affecting the transactions contemplated hereby or make the transactions contemplated hereby unduly burdensome on Buyer;

(e) There shall have been no material adverse change from January 1, 2002 to the Closing Date in the financial condition or Business of Seller. Seller shall not have suffered any material loss (whether or not insured) by reason of physical damage caused by fire, earthquake, accident or other calamity which substantially affects the value of its Assets or Business;

(f) Seller shall have obtained all authorizations, consents, waivers and approvals as may be required in connection with the assignment of those contracts, agreements, licenses, leases, sales orders, purchase orders and other commitments to be assigned to Buyer pursuant to this Agreement;

(g) The approval and all consents from third parties and governmental agencies required to consummate the transactions contemplated hereby shall have been obtained;

(h) On the Closing Date, Seller shall have delivered to Buyer, duly executed, all of the following:

(i) A bill of sale, assignment and assumption agreement and such other instruments of conveyance, transfer, assignment and delivery as Buyer shall have reasonably requested to transfer title to the Assets;

(ii) the agreement concerning the Real Property, and all ancillary documents addressed therein, in the form set forth in Schedule 1.01(e) hereto; and

(iii) such other certificates, documents and instruments as Buyer reasonably requests related to the transactions contemplated hereby; and

(iv) Buyer shall have obtained financing for the purchase and operation of the Business upon terms satisfactory to Buyer.

8.02 Conditions to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions on or before the Closing Date:

(a) The representations and warranties set forth in Article V hereof will be true and correct in all material respects at and as of the Closing;

(b) Buyer shall have performed in all material respects all the covenants and agreements required to be performed by it under this Agreement prior to the Closing;

(c) All material governmental filings, authorizations and approvals that are required for the consummation of the transactions contemplated hereby will have been duly made and obtained;

(d) There shall not be threatened, instituted or pending any action or proceeding, before any court, arbitration panel or governmental authority or agency, domestic or foreign, (i) challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, the consummation of the transactions contemplated hereby or seeking to obtain material damages in connection with such transactions, (ii) seeking to invalidate or render unenforceable any material provision of this Agreement, or (iii) otherwise relating to and materially adversely affecting the transactions contemplated hereby;

(e) There shall not be any action taken, or any statute, rule, regulation, judgment, order or injunction, enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated hereby by any federal, state or foreign court, government or governmental authority or agency, which would reasonably be expected to result, directly or indirectly, in any of the consequences referred to in Section 8.02(d) hereof;

(f) On the Closing Date, Buyer will have delivered to Seller:

(i) a wire transfer or check in immediately available funds in an amount set forth in Section 2.02(a) together with an amount necessary to pay all costs of closing, including, without limitation, real estate excise tax, title insurance premiums, and a 6% commission payable to Windermere Valley, Inc. plus other incidental closing costs;

(ii) the promissory note in an amount set forth in Section 2.02(b) plus other security instruments;

(iii) an executed copy of the bill of sale, assignment and assumption agreement; and

(iv) an executed copy of the agreement, and all ancillary documents addressed therein, set forth in Schedule 1.01(e).

ARTICLE IX

TERMINATION

9.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual consent of Buyer and Seller; or

(b) by Buyer at any time after September 3, 2002, if, by that date, the conditions set forth in Section 8.01 of this Agreement shall not have been fulfilled or waived; or

(c) by Seller at any time after September 3, 2002, if, by that date, the conditions set forth in Section 8.02 of this Agreement shall not have been fulfilled or waived; or

(d) by Buyer at any time if there has been a material adverse change in the business, financial condition, or results of operations of Seller after the date of this Agreement; or

(e) by Buyer or by Seller at any time if there has been a material breach of any representation or warranty made by the other party herein or in any certificate or other document delivered pursuant hereto or if there has been any failure by the other party to perform in all material respects all obligations or to comply with all covenants on its part to be performed hereunder; or

(f) by Buyer or by Seller if there shall have been any statute, rule or regulation enacted or promulgated or deemed applicable to the transactions contemplated by this Agreement by any government or governmental agency in the United States of America that, in the reasonable judgment of Buyer or of Seller, as the case may be, might (i) result in a significant delay in the ability of the parties to consummate the transactions contemplated hereby; (ii) render the parties unable to consummate the transactions contemplated hereby; (iii) make such consummation illegal; or (iv) otherwise materially adversely affect Seller; or

(g) by either Buyer or Seller if no Closing and consummation of the transactions contemplated hereby occur on or before September 3, 2002; provided that, neither Buyer nor Seller will be entitled to terminate this Agreement pursuant to this Section 9.01(g) if such party's willful breach of this Agreement has prevented the Closing and consummation of the transactions contemplated hereby.

ARTICLE X

ADDITIONAL AGREEMENTS

10.01 Real Property. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Real Property pursuant to the agreement set forth in Schedule 1.01.(e).

10.02 Employees of Seller. Buyer shall assume no obligations with respect to employees of Seller that may exist as of the Closing Date. Seller shall be responsible for all wages, fringe benefits, bonuses, and other obligations to its employees that accrue through the Closing Date.

10.03 Indemnification.

10.03.1 Indemnification by Seller and Members. Upon the terms and

subject to the conditions set forth in this Section 10.03.1, and for a period of three (3) years following the Closing Date, Seller and the Members, jointly and severally, agree to indemnify and hold Buyer and its officers, managers, employees, and agents (the "Buyer Indemnified Parties") harmless against, and will reimburse any such Buyer Indemnified Party on demand for, any payment, loss, cost or expense (including reasonable attorneys' fees and reasonable costs of investigation incurred in defending against such payment, loss, cost or expense or claim therefor) ("Losses") made or incurred by such Buyer Indemnified Party or to which such Buyer Indemnified Party becomes subject at any time after the Closing Date as the result of:

(a) any and all liabilities or obligations of Seller of any nature (whether accrued, absolute, contingent or otherwise and whether a contractual, tax or other type of liability, obligation or claim) not assumed by Buyer pursuant to this Agreement;

(b) any and all damage or deficiency resulting from any omission, misrepresentation, breach of warranty, or nonfulfillment of any term, provision, covenant or agreement on the part of Seller contained in this Agreement, or from any misrepresentation in, or omission from, any certificate or other instrument furnished or to be furnished to Buyer pursuant to this Agreement; or

(c) the actions or inactions of Seller and/or the Members with respect to the Assets prior to the Closing Date.

10.03.2 Indemnification by Buyer. Upon the terms and subject to the conditions set forth in this Section 10.03.2, and for a period of three (3) years following the Closing Date, Buyer agrees to indemnify and hold Seller and its officers, managers, employees, agents and members (the "Seller Indemnified Parties") harmless against, and will reimburse any such Seller Indemnified Party on demand for any Losses made or incurred by such Seller Indemnified Party or to which such Seller Indemnified Party becomes subject at any time after the Closing Date as the result of:

(a) any omission, misrepresentation, breach of warranty, or nonfulfillment of any term, provision, covenant or agreement on the part of Buyer contained in this Agreement, or from any misrepresentation in, or omission from, any certificate or other instrument furnished or to be furnished to Seller pursuant to this Agreement; or

(b) the actions or inactions of Buyer with respect to the Assets after the Closing Date.

10.04 Survival of Representations and Warranties. Notwithstanding any investigation made by or on behalf of any of the parties hereto or the results of any such investigation and notwithstanding the participation of such party in the Closing, the representations and warranties contained in Article IV and Article V hereof shall survive the Closing for a period of three years following the Closing Date.

10.05 Noncompetition.

10.05.1 Upon the terms and subject to the conditions set forth in this Section 10.05.1, Seller and each of the undersigned Members covenants and agrees that, as a material consideration running to Buyer for Buyer's payments hereunder, for a period of three (3) years from and after the Closing Date, Seller and each of the undersigned Members, will neither permit Seller's name to be used by nor engage in or carry on, directly or indirectly, either for itself or as a member of a partnership, limited liability company, or as a stockholder, investor, agent, associate or consultant of any person, partnership, limited liability company, or corporation (other than Buyer or a subsidiary or affiliate of Buyer), any business in competition with the Business in Spokane County, Washington and Kootenai County, Idaho unless otherwise agreed by Buyer.

10.05.2 Seller and each of the undersigned Members acknowledge that a breach of Section 10.05.1 hereof would cause irreparable damage to Buyer, and in the event of Seller's and/or any of the undersigned Members actual or threatened breach of the provisions of Section 10.05.1 thereof, Buyer shall be entitled to a temporary restraining order and an injunction restraining Seller and each of the undersigned Member from breaching such covenants without the necessity of posting bond or proving irreparable harm, such being conclusively admitted by Seller and each of the undersigned Member. Nothing shall be construed as prohibiting Buyer from pursuing any other available remedies for such breach or threatened breach, including the recovery of damages from Seller or the undersigned Member.

10.06 Name Change. Unless agreed otherwise, on or before the Closing Date, Seller shall amend its certificate of formation to change its name to a name that is not similar to Valley View Golf Course, L.L.C.

ARTICLE XI

MISCELLANEOUS

11.01 Expenses. Except as otherwise expressly provided for herein, Seller and Buyer will pay all of their own expenses, including attorneys' and accountants' fees in connection with the negotiation of this Agreement, the performance of their respective obligations hereunder and the consummation of the transactions contemplated by this Agreement (whether consummated or not).

11.02 Further Assurances. Seller and Members agree that, at the request of Buyer from time to time, on and after the Closing Date, they shall execute and deliver any documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the provisions hereof and take all such further action as may be required to carry out the intent of this Agreement, and to transfer and vest title and possession to any of the Assets sold, assigned, transferred, delivered and conveyed pursuant to this Agreement.

11.03 Amendment and Waiver. This Agreement may not be amended or waived except in a writing executed by the party against which such amendment or waiver is sought to be enforced. No course of dealing between or among any persons having any interest in this Agreement will be deemed effective to modify or amend any part of this Agreement or any rights or obligations of any person under or by reason of this Agreement.

11.04 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when personally delivered or when receipt is acknowledged after being mailed by first class U.S. mail, return receipt requested, or when receipt is acknowledged if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to Buyer and Seller will, unless another address is specified in writing, be sent to the address indicated below:

Notices to Buyer:

City of Liberty Lake
1421 N. Meadowwood Lane, Suite 120
Liberty Lake, WA 99019
Attn: Steve Peterson

with a copy to:

Witherspoon, Kelly, Davenport & Toole, P.S.
1100 U.S. Bank Building
422 West Riverside
Spokane, WA 99201
Attention: Stanley M. Schwartz
Telecopy: 509-458-2728

Notices to Seller:

Valley View Golf Course, L.L.C.
c/o Dennis Reger
1922 South Sunrise
Spokane, WA 99206

with a copy to:

Jimmie Bates
Windemere Valley Inc.
12929 East Sprague Avenue
Spokane, WA 99216

11.05 Assignment. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by either party hereto without the prior written consent of the other party hereto.

11.06 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if

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any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.07 Complete Agreement. This Agreement, the Exhibits and Schedules hereto, and the other documents referred to herein or contemplated hereby contain the complete agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

11.08 Counterparts. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

11.09 Governing Law. The internal law, without regard to conflicts of laws principles, of the state of Washington will govern all questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement.

11.10 Survival. All of the terms, conditions, covenants, agreements, warranties and representations contained in this Agreement shall survive, in accordance with their terms, delivery by Buyer of the consideration to be given by it hereunder and delivery by Sellers of the consideration to be given by them hereunder, and shall survive the execution hereof and the Closing hereunder.

11.11 Headings. Headings of the Sections of this Agreement are for the convenience of the parties only, and shall be given no substantive or interpretive effect whatsoever.

11.12 Waivers. Any party hereto may, by written notice to the other party hereto, (i) extend the time for the performance of any of the obligations or other actions of the other party under this Agreement; (ii) waive any inaccuracies in the representations or warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement; (iii) waive compliance with any of the conditions or covenants of the other party contained in this Agreement; or (iv) waive performance of any of the obligations of the other party under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

11.13 Merger of Documents. This Agreement and all agreements and

documents contemplated hereby constitute one agreement and are interdependent upon each other in all respects.

11.14 Incorporation of Exhibits and Schedules. All Exhibits and Schedules attached hereto are by this reference incorporated herein and made a part hereof for all purposes as if fully set forth herein. The parties acknowledge and agree that all of the schedules have not been prepared at the time of execution of this Agreement and they shall use their best efforts and mutually cooperate in good faith to prepare the same prior to Closing.

11.15 Council Approval. Seller acknowledges that this Agreement does not bind the City of Liberty Lake until the Liberty Lake City Council authorizes the Mayor to execute this Agreement. The City Administrator will exercise best efforts to obtain City Council approval.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BUYER:

CITY OF LIBERTY LAKE

Mayor Steve Peterson

Attest:

City Clerk-Treasurer, Arlene Fisher

Approved as to Form:

Stanley M. Schwartz, City Attorney

SELLER:

VALLEY VIEW GOLF COURSE, L.L.C.,
a Washington limited liability company

By: Dennis Reger
Its: Member

By: Tina Marie Reger
Its: Member

By: Shirley Dean
Its: Member

REGER PROPERTIES, L.L.C., a Washington limited
liability company

By: Dennis Reger
Its: Member

By: Tina Marie Reger
Its: Member

By: Shirley Dean
Its: Member

TENTH HOLE BAR AND GRILL, L.L.C., a
Washington limited liability company

By: Dennis Reger
Its: Member

By: Tina Marie Reger
Its: Member

By: Shirley Dean
Its: Member

MEMBERS:

DENNIS REGER

TINA MARIE REGER

SHIRLEY DEAN

Schedule 2.03

Asset Allocation

Good Will	\$100,000
Equipment	5,000
Fence	50,000
Building	208,000
Land	1,933,000
Inventory	3,500
Food	500