

Hi'iaka's Healing Herb Garden, LLC

Member Information Booklet



Helping to Conserve and Educate About Threatened
Hawaiian Medicinal Plants

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Hi'iaka's Healing Herb Garden, LLC

BUSINESS PLAN

I. EXECUTIVE SUMMARY

A. Summary of Business Strategy

In 1998 I began a number of for-profit ventures at the educational botanical Garden that I have built on my property with my personal resources. Following is a list of the major accomplishments that have been made in the development of this business and the Garden since I started the Company:

- Furnished and decorated the ohana cottage for paying guests.
- Created and put up a web site for promotion of the Garden, including tours, the rental cottage, my writing, and herbal classes and retreats.
- Created the Garden, including starting most plants from seed, bulldozing, building paths, a pond, a swimming pool, an access road, water tank, two gazebos, irrigation systems, etc.
- Created signs and audio tapes for Garden tours.
- Developed instructional design plans for three herbal education workshops; created letters of agreement with partners; created and distributed flyers, and marketed the workshops.
- Hold ongoing classes at the Garden on a number of topics relating to herbal medicine, healing and the importance of conservation.
- Speak at conferences and other events.
- Write articles, columns, and in the future, will write books.
- Participate in conferences, craft fairs and farmers' markets to publicize Garden tours and other events such as classes and retreats that I lead.

My mission is to operate a profitable business while educating people about herbalism and conservation, especially the medicinal uses of native Hawaiian plants. I intend to accomplish this goal in five major ways:

- By leading tours of the Garden;
- By renting my ohana cottage as a vacation rental and to students;
- Through writing assignments and speaking engagements;
- By holding classes, workshops, seminars and retreats; and
- By offering Friends of the Garden Memberships.

Please refer to the Income Projection section of this Business Plan for details on each of these five categories.

B. Current and Prospective Customers

- For Tours:

My customers are people who are interested in gardening and in health, especially alternative health such as herbal medicine. They come from all over the world: I have had more visitors from foreign countries than I have had from the local area.

Two other tour customer categories are the University of Hawaii EdVentures Program and the East Hawaii Cultural Center's Docent Program. I have begun leading tours for groups that they bring to the Garden and for which I will receive compensation. Other organizations of this nature will also be my customers.

- For vacation and student rental of the ohana cottage:

I have had such a wide range of visitors it is difficult to categorize them as a cohesive group of any kind. I have hosted a honeymooning couple from England, people from Minnesota who had no interest in the Garden whatsoever, and an entire gamut of humanity. Students, of course, are young and interested in herbalism and organic farming. Many come to this part of Hawaii to work and learn about permaculture at several special farms. Students are charged for such internships.

- For writing assignments and speaking engagements:

My customers are the *Hawaii Island Journal*, for whom I write and am compensated for a monthly column, tourism-related publications such as the *Aloha Wellness Travel Guidebook*, U.H. EdVentures activities, and many more as time goes by. I also write for a gardening web site, *Gardenguides.com*, and intend to write a book within the next two years.

- For classes, workshops, seminars and retreats:

Customers for the educational side of the business are primarily mid-life women, educated professionals who have a good income, love to travel, are seeking answers and are fond of some New Age things, such as alternative healing. There is an industry of seminars relating to alternative health (for example Deepak Chopra and Dr. Andrew Weil), so I believe that the market and the customers exist in large numbers. They are also cultural creatives, an unstructured class of 50,000,000 people who believe in conservation of the environment, natural ways of dealing with health, and many other alternative lifestyle choices.

- For memberships:

Members are people who love nature and want to help support our grassroots conservation and education mission.

C. Size of Market

Gardening is the most popular hobby in the United States. A Harris poll conducted in 1998 showed that 14% of people polled count gardening as their primary hobby, and this number continues to grow. Therefore, of the 400,000 people who visit the Hilo area each year, 14% of them are interested in gardening in general and another percentage are interested in learning about alternative health in the form of herbal medicine. In other words, 56,000 of those 400,000 visitors are interested in gardens and gardening. Of those, a percentage can be expected to be interested in medicinal plants and native endangered plants. I believe that this points to the potential for attracting a large number of visitors for tours, the vacation rental and retreats. In addition, people travel from other parts of Hawaii and the U.S. mainland to participate in events at Hi'iaka's.

D. Anticipated Growth of Market

As our population matures and more young professionals reach middle age and are successful enough financially to afford travel for personal enrichment, the market for the tours, classes and vacation rentals of the cottage will grow. In addition to the growing number of middle-aged baby boomers, I believe that as our society becomes increasingly stressful for many people, they will gravitate towards centering hobbies and activities such as gardening and alternative health. I believe that the Garden is a desirable destination for people in this category and that it will continue to grow in popularity.

Magazines such as *Alternative Health*, *Herbs for Health*, and *Herbalgram* are reporting increases in subscription rates for each of the years since 2000. This shows that more people are becoming interested in

the topics of health and herbalism with each passing year. And statistics show that over 50% of all Americans have used some form of alternative health care, whether it be chiropractic, acupuncture, herbs, massage, naturopathy, etc. Medicinal plants are not a future trend: they are already extremely popular and businesses that sell and promote herbal healing are prospering and growing each year.

II. MARKETING STRATEGY

A. Product Strategy

Since my products are tours, the vacation rental, writing, education and memberships, the strategy for selling them revolves around the web site, distribution of rack cards, personal appearances, magazine advertisements, direct mail and networking. I am the author of a monthly column in the *Hawaii Island Journal*, which has helped to promote the Garden tours significantly. I also run classified ads for tours, classes and the vacation rental in *Hawaii Island Journal* and in *Herbalgram*, a national magazine.

B. Distribution Network

Currently, my rack card announcing Garden tours is placed at the following locations:

- Kalani Honua Eco-Resort
- Over 25 bed and breakfast inns
- Vacation rental homes
- Hilo airport Information Booth, including tour helicopter counters
- 6 hotels in Hilo
- Hilo Tropical Garden
- Several stores and restaurants

C. Pricing Strategy

The current prices of my tours, classes and so forth are listed below. I intend to systematically raise prices over the next five years as attendance and demand for the tours, classes and retreats grows.

- The cost of tours is as follows:

	General admission	Seniors and children
Self-paced audio tour:	10.00	5.00
Guided tour:	15.00	8.00

- The cost of the vacation rental is \$75 per night double occupancy and \$50 per night single occupancy. I also have a Òkama‘ainaÓ (island resident) rate of \$200 per week when no other renters are scheduled.
- For writing assignments, consultations and speaking engagements I charge \$50 per hour.
- The cost of my three-day workshops, which I will hold on a quarterly basis the first year is \$300 per person.
- The cost of my individual retreats is \$110 per day single occupancy and \$150 double occupancy. It includes lodging in the cottage and 3 hours of herbal instruction, which is custom-designed for the participants. Generally, these individual retreats are weekend-long events.
- Memberships begin at \$100 per share.

D. Advertising and Promotion

I advertise in the following publications:

- *Herbalgram* magazine (national)

- Yellow Pages, Island of Hawaii
- *Hawaii Island Journal*
- My own web site and links on other appropriate health-related web sites.

I have registered the web site with all of the major search engines and have paid to be included in Yahoo! listings. I promote the Garden through personal appearances at conferences (at this time through University of Hawaii College of Tropical Agriculture), craft fairs, farmer's markets, special events at local health food stores, various events at the Garden, etc.

I also write a quarterly newsletter, which has a small number of paid subscribers, but which is growing. I charge \$12 per year for a subscription or two years for \$20.

In addition, I promote my business by means of the following:

- Acquiring and trading links on other web sites.
- My Garden manager makes personal visits to the local B & B's, hotels and other places where the rack card is displayed and where we hope to place it.

III. COMPETITION

My competition consists of the other botanical gardens on this side of Hawaii island.

A. Key Competitors and Their Strengths and Weaknesses

Name of Garden	Strengths and weaknesses
Hawaii Tropical Botanical Garden	Established for many years. Slick gift shop and marketing. Not into medicinal plants or Hawaiian natives. Does not offer classes on medicinal plants.
Hilo Tropical Garden	Convenient Hilo location. Not well organized. Tacky gift shop. Not into medicinal plants or Hawaiian natives. Does not offer classes on medicinal plants.
Nani Mau Garden	Very well-established and well-known. Very slick place with tram tours and beautifully-kept grounds. Not into medicinal plants or Hawaiian natives. Does not offer classes on medicinal plants.
Umauma World Garden	Fairly new, but has the attraction of a waterfall. Close to the highway. Not into medicinal plants or Hawaiian natives as much as I am. Does not offer classes on medicinal plants.

B. Hi'iaka's Competitive Advantage

I believe that there is room for all of the botanical gardens here to prosper without competing against each other. What makes Hi'iaka's Garden unique is the focus on medicinal plants, concentrating on Hawaiian herbal medicine. The other gardens are just òpretty plants.ó

IV. MANAGEMENT

A. Background and Experience of Owner/Managing Member

I am an experienced gardener, instructional designer, teacher, and writer. I am currently serving the role of business manager, but in time I would like to hire a business manager. I am currently working with a

business consultant at the Hawaii Small Business Development Center. Please refer to Appendix A for my resume of qualifications, experience and education.

V. PERSONNEL

A. Full-time Personnel

I am the only full-time employee at this time, although I do not take a salary. I serve as business manager, marketing director, tour leader, workshop facilitator, and I supervise the part-time Garden manager, interns and others who work at the Garden. Please refer to Appendix A for my resume.

B. Part-time Personnel Anticipated

We already need the following personnel: as the Garden and the business grow, the increased income from the Garden’s various money-making ventures will make it possible to fill the following positions:

- Bookkeeper
- Groundskeeper
- Gift shop worker/greeter
- Occasional interns and student helpers will provide volunteer labor.

C. Outside Contractors

For now, I am using one part-time independent contractor to maintain and expand the Garden and perform marketing duties, and an occasional web master who also assists with my printed publications.

VI. FINANCIAL DATA

Value of the Company: Hi’iaka’s Healing Herb Garden, LLC is valued at \$200,000.

Owner’s share of the Company: My share of the Company is 51% or \$101,000. I have spent \$50,000 in establishing the business and building the Garden. And my ownership of the property on which the Garden is located represents \$51,000.

Number of shares being offered: I am offering 990 Friends Memberships.

Cost of shares: \$100 per share. Each share or ÒinterestÓ represents .05% of the Company’s assessed value. Members may purchase more than one share, to a total of 49% of the Company’s value.

A. Income Projection (5 years)

The following table shows anticipated income from the five business areas for the next five years:

	2002	2003	2004	2005	2006
Tours:	1000	6000	9000	13000	17200
Cottage:	5000	10000	15000	20000	25000
Writing and speaking:	1000	4000	8000	12000	16000
Classes and retreats:	4000	16000	25000	36000	47440
Memberships:	3000	10000	20000	30000	36000
Totals:	14,000	46,000	77,000	111,000	141,640

A1. Explanations

The following paragraphs explain the logic used in calculating the income projections in the above table.

- **Tours:** For 2002 our tours will gross \$1000. With our concentrated marketing of the Garden as a destination for tours, we plan to increase the number of tours that we lead each of the next four years by approximately 50% each year. Our current goal is to lead 10 tours each week, for a total of 520 tours per year, or \$5200 per annum. We anticipate that this will occur in approximately four years: after that the number of paid tours will continue to increase more slowly. Another goal and an area that we have begun to promote is group tours. At \$50 for small groups, when we lead five group tours each week, we will gross approximately \$12,000 per year in four year's time, which I feel is a conservative expectation and a realistic goal. We hope to exceed the above income projection for tours with the addition of a growing number of paid group tours.
- **Vacation rental:** After a slow post-911 year, our cottage rentals have increased significantly since mid-2002. We continue to advertise the cottage in *Hawaii Island Journal* and expect that occupancy will increase until the maximum occurs in approximately four years, for a total of \$20,000 per year. We plan to increase the amount we charge as the market allows and as we become better known and more popular, which explains the \$25,000 figure under the year 2006, which is more than the \$23,400 that 52 weeks of rent at \$450 per week yields.
- **Writing and speaking:** I intend to continue promoting my writing and speaking availability in order for this category to increase in profitability by approximately 50% per year over the coming years. I intend to begin speaking at more conferences, possibly on the US mainland and perhaps even abroad. In the past year I applied for a speaking engagement at a conference in Lima, Peru, and am currently working on an assignment in California in Spring, 2003. In the next two years, I intend to write a book on my experiences creating the Garden and using Hawaiian healing plants. I also intend to write more for gardening and alternative health-related web sites and magazines.
- **Classes and retreats:** This category also includes private consultations and represents my personal passion for sharing knowledge of the healing plants.
 - (1) Currently I am offering a 3-day workshop titled "Beyond Traditional Herbalism: Secrets of the Kahuna Lau Lapa'au" on a quarterly basis. With 10 students paying \$300 each, this represents income of \$12,000 per year. As this workshop gains popularity, I intend to raise my rate and expect to offer it on a more frequent basis within two years, explaining the larger income for 2003 through 2006. It is advertised on a quarterly basis in *Herbalgram* magazine.
 - (2) Individual retreats are currently priced at \$220 per weekend per person: I intend to hold one per month initially and increase this to a maximum of four per month, or \$11,440 per year in 2006. This income will increase significantly and will exceed the above projections when couples attend.
 - (3) Private consultations are priced at \$50 per hour. I plan to conduct one per week initially, growing this number to approximately 10 per week within four years, for a total of \$24,000 per year. And I intend to raise my rates as demand for consultations grows.
- **Memberships:** As our fund-raising efforts grow and mature, I expect to increase the number of paid memberships incrementally. After all of the available shares are purchased, by 2006, membership income will cease to exist, but I plan that the other areas will continue to grow and make additional memberships unnecessary in order to recognize a profit for the Company.

B. Operating Expenses Projection (5 years)

Anticipated operating expenses for the next five years are shown in the following table:

	2002	2003	2004	2005	2006
Salaries	6000	10000	20000	40000	60000

	2002	2003	2004	2005	2006
Advertising	1500	2000	2500	3000	4000
Repairs	250	300	300	300	300
Utilities	2800	3000	3200	3400	3600
Equipment	600	600	600	600	600
Expansion of Garden	1200	1200	1200	1200	1200
Totals:	12,350	17,100	27,800	48,500	69,700

B1. Explanations

The following paragraphs explain the logic used in calculating the expense projections in the above table.

- **Salaries:** In 2002 the only salary is that of the contract Garden manager. As I hire additional personnel to greet tours and staff the gift shop, salaries will increase. In 2003 I plan to hire a greeter/gift shop worker 12 hours a week: at \$8 per hour, this will total approximately \$5000 per year. When we hire a groundskeeper and a bookkeeper, salaries will increase. Amounts shown in the table are estimates, as salaries for these positions are unknown at this time. By 2005, I will begin to receive a nominal salary as Managing Member.
- **Advertising:** In 2002, advertising totaled \$1500, which includes the Hawaii Island Journal ad for the rental cottage, the *Herbalgram* ad for the 3-day workshop, *ŌBeyond Traditional Herbalism,* and the Yellow pages listing. I plan to increase advertising slightly over the next four years but do not intend to increase advertising spending significantly.
- **Repairs:** Repairs are fairly routine and include such items as repairs to the Garden's irrigation system, signage, replacement of plants, etc. I do not expect them to increase significantly with the passage of time.
- **Utilities:** With increased telephone, electric and other utility rates the amount we must spend on utilities will also increase. This category also includes water that we must sometimes purchase, ISP charges, and so forth.
- **Equipment:** This category is relatively stable, as all equipment needed for working the Garden has already been purchased and will only need replacing and upgrading on a periodic basis. Fertilizer, potting mix, vermiculite, etc. will not amount to a large expenditure at any time in the future.
- **Expansion:** The Garden can expand only so far within the limits of the acre that I own. I anticipate that continued development of currently uncultivated areas of the Garden will continue for four or five years and that the only expenses associated with this will be the purchase of seeds, plants, soil mix and rocks for building additional Garden beds. At \$14 per yard for the macadamia nut compost/volcanic cinder mix that I use, the figures in this category represent approximately 50 yards of potting medium per year and the additional expense of plants, seeds, etc.

C. Profit Analysis (5 years)

Profitability of Hi'iaka's Healing Herb Garden, LLC is occurring at this time, to the tune of \$1650 for the year 2002. Following are profit projections for the next four years:

2003: \$20,900

2004: \$49,200

2005: \$62,500

2006: \$71,940

Should Members vote to distribute profits among themselves, this represents a potential profit of \$73 per share by 2006.

APPENDIX A:

Resume of Managing Member



Santa Cruz, 1972

Barbara J. Fahs, M.A.

(Instructional Technology, School of Education,
San Jose State University, 1983)

HCR 2, Box 9620 (808) 966-6126

Kea'au, HI 96749 goddess@hiiakas.com

www.hiiakas.com



Hawaii, 2001

Biography: Barbara Fahs was born in Putney, England shortly after World War II when her American parents were living there and her father was working as a foreign correspondent. She spent most of her growing-up years in the San Francisco Bay Area, but has never forgiven her parents for leaving England when she was too young to have developed a British accent.

Education: Barbara attended the University of California at Santa Barbara and earned a degree in Anthropology in 1968, with a special interest in the peoples and cultures of Oceania and their magical and religious practices. In 1972, she earned a Lifetime Secondary Teaching Credential and in 1983 a Master's Degree in Education, both from San Jose State University.

She completed the coursework required to become a University of California Cooperative Extension Master Gardener in 1994 and has been studying, growing, and using culinary and healing herbs since 1971.

Employment: Barb worked as an instructional designer and a technical writer in the high technology industry in San Jose, California, from 1984 through 1998 for such companies as Tandem Computers (now Hewlett Packard) and Cisco Systems. She now lives on the Big Island of Hawai'i, where she is planting and establishing an educational herb garden she calls ÒHi'iaka's Healing Herb Garden.Ó She is also a writer for the *Hawaii Island Journal* and Gardenguides.com.

Goals: At mid-life, Barbara has embarked on a venture that will serve to enrich her knowledge and expand her true interest and calling -- teaching about medicinal herbs. She not only wants to teach about herbs, she *needs* to teach. ÒThat's what I'm all about,Ó she says, Òand my goal for my Garden is to educate about medicinal plants not only from Hawai'i but from tropical areas around the globe.Ó She continues her research and is working to acquire and propagate medicinal herbs that are well-adapted to the climate of Hawai'i.

Summary of Education and Qualifications:

M.A., Instructional Technology, San Jose State University, 1983.

B.A., Anthropology, University of California, Santa Barbara, 1968.

Standard Secondary Teaching Credential, San Jose State University, 1972.
University of California Certified Master Gardener, 1994.

APPENDIX B:

Articles of Organization

The following pages contain the Company's Articles of Organization. If you should have any questions about the legal documents contained in this package, please contact my attorney:

STEVEN D. STRAUSS 5242
Attorney at Law
P.O. Box 11517
Hilo, Hawai'i 96721
Telephone: (808) 969-6684

ARTICLES OF ORGANIZATION FOR LIMITED LIABILITY COMPANY

HI'IAKA'S HEALING HERB GARDEN, LLC

The undersigned, for the purpose of forming a limited liability company under the laws of the State of Hawai'i does hereby make and execute these Articles of Organization.

I.

The name of the company shall be **HI'IAKA'S HEALING HERB GARDEN, LLC.**

II.

The street address of the initial designated office in Hawai'i is 15-1667 Second Street, Kea'au, Hawai'i 96749.

The mailing address of the company's designated office in Hawai'i is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

III.

The company shall have and continuously maintain in the State of Hawai'i an agent and street address of the agent for service of process on the company.

a. The name of the company's initial agent for service of process is Barbara Fahs, an individual resident of Hawai'i.

b. The street address of the company's initial agent for service of process is 15-1667 Second Street, Kea'au, Hawai'i 96749. The mailing address of the company's initial agent for service of process in Hawai'i is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

IV.

Barbara Fahs is the sole organizer, whose residence address is 15-1667 Second Street, Kea'au, Hawai'i 96749. and whose mailing address is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

V.

The period of duration is at-will.

VI.

The company is member-managed by Barbara Fahs, whose residence address is 15-1667 Second Street, Kea'au, Hawai'i 96749 and whose mailing address is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

VII.

There is one initial member: Barbara Fahs, whose residence address is 15-1667 Second Street, Kea'au, Hawai'i 96749 and whose mailing address is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

VIII.

The members of the company shall not be liable for the debts, obligations, and liabilities of the company.

I certify, under the penalties set forth in the Hawai'i Uniform Limited Liability Company Act, that I have read the above statement and that the same is true and correct.

Dated: Hilo, Hawai'i, July __, 2002.

BARBARA FAHS

Organizer

APPENDIX C: Operating Agreement

The following pages contain the Company's Operating Agreement.

OPERATING AGREEMENT

of

HI'IAKA'S HEALING HERB GARDEN, LLC

a Hawai`i Limited Liability Company

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

SECTION I: DEFINITIONS

Unless the context clearly indicates otherwise, the terms used in this Operating Agreement shall have the following meanings:

1. Act: The Hawaii Limited Liability Company Act, as set forth at Chapter 428 of the Hawaii Revised Statutes, as amended.
2. Additional Member: A Member other than an Initial Member or a Substitute Member.
3. Admission Agreement: The agreement between an Substitute Member and the Company.
4. Articles: The Articles of Organization of the Company.
5. Assignee: A transferee of a membership interest who has not been admitted as a Substitute Member.
6. Bankrupt Member: A Member who has become the subject of an Order for Relief under the United States Bankruptcy Code.
7. Business day: A day other than: 1) Saturday; 2) Sunday, or 3) any legal holiday observed by the state of Hawaii.
8. Capital contribution: A Member's contribution of, or obligation to contribute property or services.
9. Code: The Internal Revenue Code of 1986, as amended and updated.
10. Commitment: The capital contributions that a Member is obligated to make.
11. Company: HI'IAKA'S HEALING HERB GARDEN, LLC and any successor limited liability Company.
12. Contributing Members: Those Members making contributions as a result of the failure of a Delinquent Member to make required contributions.
13. Default interest rate: The legal rate plus 3%.
14. Delinquent Member: A Member who has failed to meet a commitment.
15. Distribution: A transfer of property to a Member on account of a membership interest.
16. Disposition (dispose): Any sale, assignment, transfer, exchange, mortgage, pledge, grant, or other transfer.
17. Dissociation: Any action that causes a person to cease to be a Member.
18. Dissolution event: An event that results in the dissolution of the Company unless the Members agree to the contrary.

19. Effective Date: July 1, 2002.
20. Immediate family: A Member's immediate family includes the Member's spouse, children (including natural, adopted and stepchildren), grandchildren, and parents.
21. Initial capital contribution: The capital contribution agreed to be made by the Initial Members.
22. Initial Members: Those persons identified on Exhibit A attached to this Operating Agreement who have executed the Operating Agreement.
23. Managing Member: A Member entitled to vote on Company management / operating issues and to participate in Company management, in compliance with the expressions and intentions of the other Members. Multiple Managing Members are permissible. The term "Managing Member" may refer to plural Managing Members
24. Member: An Initial Member, Additional or Substitute Member, and, unless the context expressly indicates to the contrary, Managing Member and assignees.
25. Member non-recourse liability: Any Company liability to the extent the liability is non-recourse under state law, and on which a Member or related person bears the economic risk of loss under §1.752-2 of the Code.
26. Membership interest: A Member's right to distributions (liquidating or otherwise) and allocations of the profits, losses, gains, deductions, and credits of the Company.
27. Net losses: Company losses and deductions determined in accordance with accounting principles consistently applied from year to year and as reported separately or in the aggregate on the Company's federal income tax return.
28. Net profits: Company income and gains determined in accordance with accounting principles consistently applied from year to year and as reported on the Company federal income tax return.
29. Non-recourse liabilities: Company non-recourse liabilities and Member non-recourse liabilities.
30. Notice: Notice shall be in writing. Notice to the Company shall be considered given when mailed by first class mail, postage prepaid, addressed to any Managing Member in care of the Company at the address of principal office. Notice to a Member shall be considered given when hand-delivered to the Member or when mailed by first class or priority mail, postage prepaid, addressed to the Member at the Member's address as reflected in the Operating Agreement unless the Member has given the Company a notice of a different address.
31. Operating Agreement: This Operating Agreement, including all subsequent agreements and amendments adopted in accordance with the Operating Agreement and the Act.
32. Organization: A person other than a natural person. Organization includes, without limitation, any type of corporation, any type of partnership, joint ventures, limited liability companies, and unincorporated associations. Organization does not include joint tenancies and tenancies by the entirety.
33. Organization expenses: The expenses incurred in the organization of the Company including the costs of preparation of the Operating Agreement and articles.

34. Proceeding: Any judicial or administrative trial, hearing, or other activity, civil, criminal, or investigative, the result of which may result in entry of a judgment, order, decree, or other determination that is binding upon the Company or a Member.
35. Property: Any property, real or personal, tangible or intangible, including money and any legal or equitable interest in such property. Services and promises to perform services in the future are not property.
36. Permitted transferee: The Member's immediate family, or an organization controlled by a Member or by the Member's immediate family.
37. Person: An individual, trust, estate, or any incorporated or unincorporated organization permitted to be a Member of a limited liability Company under the laws of the state.
38. Regulations: Except where the context indicates otherwise, the regulations of the department of the treasury under the Code.
39. Related person: A person having a relationship to a Member that is described in $\text{HRS } \S 1.7524(1)$ of the regulations.
40. Sharing Ratio: The fraction (expressed as a percentage), the numerator of which is the total of the Member's capital account and the denominator of which is the total of all capital accounts of all Members and assignees.
41. Substitute Member: An assignee who has been admitted to all of the rights of membership pursuant to the Operating Agreement.
42. Taxable year: The taxable year of the Company as determined pursuant to $\text{HRS } \S 706$ of the Code.

SECTION II: FORMATION

1. Organization: The Members hereby organize the Company as a limited liability Company pursuant to the provisions of the Act.
2. Agreement: In consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members execute this Operating Agreement. The Members intend that the Operating Agreement shall be the primary source of agreement of the parties, and that it shall be executed and complied with in the spirit and intent expressed in the Supplemental Documents. To the extent any provision of the Operating Agreement is prohibited or ineffective under the Act, the Operating Agreement shall be considered amended to the smallest degree possible in order to make the agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make invalid any provision of the Operating Agreement, such invalidity shall not affect the remaining valid provisions of the Operating Agreement.
3. Name: The name of the Company is HI'IAKA'S HEALING HERB GARDEN, LLC. Company business shall be conducted under this name.
4. Effective date: The Operating Agreement is effective July 1, 2002.
5. Term: The term of the Company shall commence on the effective date of filing of Articles with the State of Hawaii and shall continue until the date specified in the Articles, unless sooner terminated by the

provisions of this Agreement or as provided by law.

6. Registered agent and office: The registered agent for the service of process and the registered office shall be that person and location reflected in the Articles as filed with the State of Hawaii. The Managing Member may change the registered agent or office through appropriate filings with the secretary of state. If the registered agent ceases to act as such for any reason or the registered office shall change, the Managing Member shall promptly designate a replacement registered agent or file a notice of change of address as the case may be. If the Managing Member shall fail to designate a replacement registered agent or change of address of the registered office, any Member may designate a replacement registered agent or file a notice of change of address.

7. HI'IAKA'S HEALING HERB GARDEN, LLC's principal office is located at 15-1667 Second Street, Kea'au, Hawai'i 96749. Its current mailing address is HCR 2 Box 9620, Kea'au, Hawai'i 96749.

SECTION III: NATURE OF BUSINESS

The primary business of the company is to acquire and maintain a lease to and develop agricultural land and conduct agricultural operations. The Company may engage in any lawful business permitted by the Act or the law of any jurisdiction in which the Company may do business. The Company shall have the authority to do all things necessary or convenient to accomplish its purpose as stated in the Articles and operate its business. The Company exists only for the purpose specified, and may not conduct any other business without the written consent of the Members.

SECTION IV: ACCOUNTING AND RECORDS

1. Records to be maintained: The Company shall maintain the following records at the principal office, which records shall be available for review by any Member:

- a) A current list of the full name and last known address of each Member;
- b) A copy of the Articles of Organization and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any articles have been executed;
- c) Copies of the Company's federal, foreign, state, and local income tax returns and reports, if any, for the three most recent years;
- d) Copies of the Operating Agreement and all amendments thereto (including Additional Member Agreements);
- e) Any Company financial statements for the three most recent years;
- f) A writing or retrievable computer data setting forth the following:
 - i) the amount of cash and a description and statement of the agreed value of the other property or services contributed by each Member and which each Member has agreed to contribute;
 - ii) the times at which or events on the happening of which any additional commitments agreed to be made by each Member are to be made;
 - iii) a Member's right to receive, or of the Company to make, distributions, including a return of all or any part of the Member's capital contribution; and
 - iv) the Company dissolution events.

2. Reports to Members: The Managing Member shall provide all Members with the information returns required by the Code and the laws of any state.
3. Accounts: The Managing Member will maintain a record of capital accounts for each Member.

SECTION V: NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the Initial Members are listed on Exhibit A attached to this Operating Agreement.

SECTION VI: RIGHTS AND DUTIES OF MEMBERS

1. Management rights: The Managing Member shall be entitled to vote on any matter submitted to a vote of the Managing Member, and shall manage the business and financial affairs of the Company on a daily basis.

The following actions require the consent of a majority of the Managing Members:

- a) Amendment of the Operating Agreement
 - b) Admission of assignees as Substitute Members
 - c) Continuation of the Company after a dissolution event
2. Majority: Whenever any matter is required or allowed to be approved by a majority of the Members, such matter shall be considered approved if consented to, either in writing or at a meeting of the Members, by Members having Sharing Ratios exceeding one half of the Sharing Ratios of all the Members entitled to vote. Assignees are not considered to be entitled to vote for purposes of determining a majority, neither are Dissociating Members. If a Member has disposed of an entire membership interest to an Assignee but has not been removed, the Sharing Ratio of the Assignee shall be considered in determining a majority and the disposing Member's vote or consent shall be determined by such Sharing Ratio.
 3. Proxies: At all meetings of Members a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managing Member before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy.
 4. Liability of Members: No Member shall be liable for Company liabilities. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this agreement or the Act shall not be grounds for imposing personal liability for Company liabilities on any Member or Managing Member.
 5. Indemnification: The Company shall indemnify the Members, Managing Member, and agents for all costs, losses, liabilities, and damages they incur in connection with Company business.
 6. Representations and warranties: Each Member executing the Operating Agreement represents and warrants to the Company and each other Member that.
 - (a) the Member is acquiring its interest in the Company for the Member's own account as an investment and without an intent to distribute the interest;

(c) the Member acknowledges that the interests have not been registered under the Securities Act of 1933 or any state securities laws, and may not be resold or transferred by the Member without appropriate registration or the availability of an exemption from such requirements.

7. Company's exclusive rights to name ÒHI'IAKA'S HEALING HERB GARDEN, LLCÓ and mark ÒHI'IAKA'S HEALING HERB GARDENÓ

The Company owns exclusive rights to use the name ÒHI'IAKA'S HEALING HERB GARDEN, LLCÓ and mark ÒHI'IAKA'S HEALING HERB GARDENÓ and reserves the right to restrict use of such name and mark with respect to any endorsement, publication, or commercial venture. Members desiring to use the name ÒHI'IAKA'S HEALING HERB GARDEN, LLCÓ or mark ÒHI'IAKA'S HEALING HERB GARDENÓ for any endorsement, publication, or commercial venture must obtain prior approval from the Company under an appropriate written license agreement.

7.1 Members and Managing Member shall be entitled to personally enter into transactions that may be considered to be in competition with the Company. Members and Managing Member shall also be entitled to personally enter into a business opportunity that may have benefited the Company. Notwithstanding the foregoing, Members shall:

- a) Account to the Company and hold as trustee for it any property, profit or benefit derived by the Member, without the consent of the other Members in the conduct and winding up of the Company business.
- b) Account to the Company and hold as trustee for it any property, profit or benefit derived by the Member, without the consent of the other Members from a use or appropriation by the Member of Company property, including information developed exclusively for the Company and opportunities expressly offered to the Company.

7.2 A Member or Managing Member does not violate a duty or obligation to the Company merely because the Member's conduct furthers the Member's own interest. A Member may lend money to and transact other business with the Company. The rights and obligations of a Member who lends money to or transacts business with the Company are the same as those of a person who is not a Member. No transaction with the Company shall be voidable solely because a Member has a direct or indirect interest in the transaction if:

- a) the transaction is fair to the Company, or
- b) the disinterested Managing Member or Members know the material facts of the transaction and authorize or ratify it.

SECTION VII: MANAGING MEMBER

1. The ordinary and usual decisions concerning the business affairs of the Company shall be made by the Managing Member. The initial Managing Member shall be Barbara Fahs. Multiple Managing Members are permissible.

2. Term of office as Managing Member: No Managing Member shall have any contractual right to such position. The initial Managing Member shall serve until he resigns or until otherwise removed in accordance with this Operating Agreement. Thereafter, each Managing Member shall serve until the earliest of:

- a) the dissociation of such Managing Member, or

b) removal of such Managing Member.

3. Authority of Members to bind the Company: The Members hereby agree that only the Managing Member and authorized agents of the Company have the authority to bind the Company. No Member other than a Managing Member shall take any action to bind the Company. A Member shall indemnify the Company for any costs or damages incurred by the Company as a result of unauthorized action of such Member. The Managing Member has the power, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company, including, without limitation:

institution, prosecution, and defense of any proceeding in the Company's name; purchase, receipt, lease, sale, conveyance, pledge, exchange, disposition, or other transaction dealing with property, wherever located; entering into contracts and guaranties; incurring of liabilities, borrowing money, issuance of notes, bonds, and other obligations and the securing of any of its obligations by mortgage or pledge of any of its property or income; establishing bank accounts; lending money, investment, and reinvestment of the Company's funds, and receipt and holding of property as security for repayment, including without limitation, the loaning of money to, and otherwise helping Members, officers, employees, residents and agents; conducting the Company's business, the establishment of Company offices, and the exercise of the powers of the Company within or without the state; appointment of employees, residents and agents of the Company, the defining of their duties, and the establishment of their compensation; payment of pensions and establishment of pension plans, pension trusts, profit sharing plans, and benefit and incentive plans for all or any of the current or former Members, employees, residents and agents of the Company; making donations to the public welfare or for religious, charitable, scientific, literary, or educational purposes; payment of compensation to any Members, employees and residents on account of services previously rendered to the Company, whether or not an agreement to pay such compensation was made before such services were rendered; purchase of insurance on the life of any Member, employee, or resident for the benefit of the Company; participation in partnership agreements, joint ventures, or other associations of any kind; indemnification of Members, residents or any other person; and,

4. Compensation of Managing Member: Each Managing Member shall be reimbursed for all reasonable expenses incurred in managing the Company and shall be entitled to compensation in an amount to be determined by the affirmative vote of a majority of the Members.

5. Removal of Managing Member: A Managing Member may be removed by the affirmative vote of a majority of the Members or by the Dispute Resolution process set forth below.

SECTION VIII: CONTRIBUTIONS AND CAPITAL ACCOUNTS

1. Initial contributions: Each Initial Member shall make the capital contribution described for that Member on Exhibit B and shall perform that Member's commitment. The value of the capital contributions shall be as set forth on Exhibit B. No interest shall accrue on any capital contribution except as provided in this Operating Agreement. Each Substitute Member shall make the initial capital contribution described in the Admission Agreement. The value of the Substitute Member's initial capital contribution and the time for making such contribution shall be set forth in the Admission Agreement.

2. Additional contributions: The Managing Member may determine that additional contributions are needed to enable the Company to conduct its business. If so, the Managing Member will notify all Members in writing at least sixty business days before the date on which the needed contribution is due. The notice must state how much additional contribution is needed, why it's needed and when it is due. Each Member is entitled to contribute a proportionate share of such additional contribution. Except to the extent of a Member's unpaid commitment, no Member shall be obligated to make any such additional contributions.

3. Enforcement of commitments: A Member who fails to perform a commitment shall be considered a Delinquent Member. The Managing Member shall give Delinquent Members notice of a failure to meet a commitment. If the Delinquent Member fails to perform the commitment within sixty business days of the giving of the notice, the Managing Member may take such action as authorized by the Operating Agreement, including court action as the least-preferred remedy. The Managing Member may elect to allow the other Members to contribute the amount of the commitment in proportion to such other Members' Sharing Ratios, previously defined as the fraction (expressed as a percentage), the numerator of which is the total of the Member's capital account and the denominator of which is the total of all capital accounts of all Members and assignees.

Members who so contribute (contributing Members) shall be entitled to treat the amount contributed as a loan from the contributing Members bearing interest at the default interest rate secured by the Delinquent Member's interest in the Company. Contributing Members shall be entitled to all distributions to which the Delinquent Member would have been entitled until the loan, with interest, is repaid in full. No commitment or other obligation to make an additional contribution may be enforced by a creditor of the Company unless the Member expressly consents to such enforcement.

4. Maintenance of capital accounts: The Company shall establish and maintain capital accounts for each Member.

a) Each Member's capital account shall be increased by:

- 1) the amount of any money actually contributed by the Member to the capital of the Company,
- 2) the fair market value of any property and/or services contributed, as determined by the Company and the contributing Member at arm's length at the time of contribution.
- 3) the Member's share of net profits and of any separately allocated items of income or gain, except adjustments of the Code (including any unrealized gain and income from accounts receivable allocated to the Member to reflect the difference between the book value and tax basis of assets contributed by the Member).

b) Each Member's capital account shall be decreased by:

- 1) the amount of any money distributed to the Member,
- 2) the fair market value of any property distributed to the Member, and
- 3) the Member's share of the losses and of any separately allocated items of deduction or loss (including any loss or deduction allocated to the Member to reflect the difference between the book value and the basis of assets contributed by the Member).

5. Distribution of assets: If the Company distributes any of its assets in kind to a Member, the capital account of each Member shall be adjusted to account for that Member's allocable share of the net profits or net losses that would have been realized by the Company had it sold the distributed assets at their fair market values as of the date of the in-kind distribution.

6. Sale or exchange of interest: In the event of a sale or exchange of some or all of a Member's interest in the Company, the capital account of the transferring Member shall become the capital account of the assignee, to the extent it relates to the portion of the interest transferred. In view of the purposes of the Company, including the creation and maintenance of a residential community, the Company has the right to approve in advance any Member's assignment of his or her interest in the Company. Moreover, the Company reserves the right to purchase any Member's interest at the value at which a Member may desire to assign his or her interest to a proposed substitute Member. No attempted assignment or transfer of all or part of a Member's interest is valid without prior written approval by the Company.

7. Compliance with section 704(b) of the Code: The Company's maintenance of capital accounts is intended and shall be construed to cause allocations of profits, losses, income, gains, and credit to have substantial economic effect under the regulations promulgated under \S 704(b) of the Code.

SECTION IX: ALLOCATIONS AND DISTRIBUTIONS

1. Except as may be required by \S 704(c) of the Code, net profits, net losses, and other items of income, gain, loss, deduction, and credit shall be apportioned among the Members in proportion to their Sharing Ratios.

2. Interim distribution: The Managing Member shall determine, from time to time in their reasonable judgment, to what extent the Company's cash on hand exceeds the current and anticipated needs, including, without limitation, operating expenses, debt service, acquisitions, reserves, and mandatory distributions, if any. The Managing Member may make distributions from such excess to the Members in accordance with their Sharing Ratios. Such distributions shall be in cash or property (which need not be distributed proportionately) or partly in both.

SECTION X: TAXES

1. Elections: The Managing Member may make any tax elections for the Company allowed under the Code or the tax laws of any state.

2. Taxes of taxing jurisdictions: To the extent that the laws of any taxing jurisdiction require, each Member requested to do so by the Managing Member will submit an agreement indicating that the Member will make timely income tax payments to the taxing jurisdiction. If the Member fails to provide such agreement, the Company may withhold and pay over to such taxing jurisdiction the amount of tax, penalty, and interest determined under the laws of the taxing jurisdiction with respect to such income. Any such payments with respect to the income of a Member shall be treated as a distribution. The Managing Member may, where permitted by the rules of any taxing jurisdiction, file a composite, combined, or aggregate tax return reflecting the income of the Company and pay the tax, interest, and penalties of some or all of the Members on such income to the taxing jurisdiction. The Company shall inform the Members of the amount of such Company tax, interest, and penalties so paid.

3. Tax matters partner: The Managing Members shall designate one of their number as the Company tax matters partner. If there is no Managing Member eligible to act as tax matters partner, the Managing Member shall designate any other Member as the Company tax matters partner. Any Member designated as tax matters partner shall take such action as may be necessary to cause each other Member to become a notice partner within the meaning of \S 6223 of the Code. Any Member who is designated tax matters partner

may not take any action contemplated by §§6222 through 6232 of the Code without the consent of the Managing Member. Initially, the tax matters partner is Barbara Fahs.

4. Cash method of accounting: The records of the Company shall be maintained on a cash receipts and disbursements method of accounting.

SECTION XI: DISPUTE RESOLUTION

1. In the event that a Member is dissatisfied with the Managing Member, or that a dispute arises among the Members, and the parties are unable to resolve the dispute, any Member may request dispute resolution by notifying all other Members. Such dispute resolution shall be conducted as follows:

2. a) The requesting Member shall, within 10 days, designate up to three (3) objective mediators who shall serve as a mediation council and shall, within the next 14 days, conduct the mediation process locally and in accordance with the Commercial Mediation Rules of the American Arbitration Association.

b) If the above mediation process does not resolve the dispute, then the parties shall submit to binding arbitration. Arbitration shall begin when any party notifies the other Members that he/she is dissatisfied with the above mediation process. Each Member or shall, within the next 15 days, present their feelings and perspectives to the arbitrator in a manner designated by the arbitrator (such manner should be economically efficient and fair). The arbitrator may vary the time deadlines set forth herein if he/she deems it beneficial to the process. The arbitrator shall determine the outcome in accordance with the rules of the American Arbitration Association, and the fees for the arbitration shall be paid by the Company and/or the parties as determined by the arbitrator after taking into consideration each party's level of participation, cooperation, expediency and purpose.

SECTION XII: DISSOLUTION AND WINDING UP

1. Dissolution: The Company shall be dissolved and its affairs wound up, upon the occurrence of any of the following events:

a) the unanimous written consent of all of the Members; or,

b) the determination of an arbitrator after binding arbitration that dissolution is in the best interest of the Company.

2. Effect of dissolution: Upon dissolution, the Company shall cease carrying on Company business, but the Company continues in existence until the winding up of its affairs is completed and a Certificate of Dissolution is issued by the secretary of state.

3. Distribution of assets on dissolution: Upon the winding up of the Company, the Company property shall be distributed to:

a) Creditors, including Members who are creditors, to the extent allowed by law, in satisfaction of Company liabilities;

b) Members in accordance with positive capital account balances taking into account all capital account adjustments for the Company's taxable year in which the liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such distributions shall be in cash or property (which need not be distributed proportionately) or partly in both, as determined by the Managing Member.

I. Winding up and Certificate of Dissolution: The winding up of the Company shall be completed when all debts, liabilities, and obligations of the Company have been paid or reasonably

adequate provision therefore has been made, and all of the remaining property and assets of the Company have been distributed to the Members. Upon the completion of winding up of the Company, a Certificate of Dissolution shall be delivered to the secretary of state for filing. The Certificate of Dissolution shall set forth the information required by the Act.

SECTION XIII: AMENDMENT

1. Amendment or modification of Operating Agreement: The Operating Agreement may be amended or modified only by a written instrument adopted by the Managing Member and executed by a majority of the Members. No Member or Managing Member shall have any vested right in the Operating Agreement.

SECTION XIV: MISCELLANEOUS PROVISIONS

1. Entire agreement: The Operating Agreement, including the Exhibits, represents the entire agreement among and between HI'IAKA'S HEALING HERB GARDEN, LLC Members and the Company.

2. Rights of creditors and third parties under Operating Agreement: The Operating Agreement is entered into among the Company and the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. The Operating Agreement is expressly not intended to be for the benefit of any creditor of the Company or any other person. No such creditor or third party shall have any rights under the Operating Agreement or any agreement between the Company and any Member with respect to any capital contribution or otherwise.

Approved and Agreed

Signature _____

Barbara Fahs

Effective Date: July 1, 2002

Signed:

_____, 2002

EXHIBIT A: Initial Members

Billian, Theresa

Fahs, Barbara

Hagen, Rolfe and Janet

LaBelle, Charlene

EXHIBIT B: Initial Capital Contribution

<u>Member Name</u>	<u>Initial Capital Contribution as of July 1, 2002</u>
Barbara Fahs	101,000
Theresa Billian	1,000
Rolfe and Janet Hagen	100
Charlene LaBelle	100

CONVEYANCE OF MEMBERSHIP INTEREST
Hi`iaka's Healing Herb Garden, LLC

Effective _____, 200_, Hi`iaka's Healing Herb Garden, LLC, a Hawai`i limited liability company, and _____, (ÕMemberÕ) having a mailing address of _____, desire to enter into an agreement for conveyance to Member of a membership interest in Hi`iaka's Healing Herb Garden, LLC.

In exchange for \$ _____ paid by Member to Hi`iaka's Healing Herb Garden, LLC, and other good and valuable consideration, Hi`iaka's Healing Herb Garden, LLC hereby transfers and conveys a __% interest in Hi`iaka's Healing Herb Garden, LLC to Member, together with all rights afforded a member of a limited liability company under Hawai`i law.

Member understands and acknowledges that the membership interest conveyed by this agreement may have little or no commercial value. Member acknowledges receipt of copies of the Articles of Organization and Operating Agreement for Hi`iaka's Healing Herb Garden, LLC prior to Member's signing of this conveyance agreement.

Member further understands and acknowledges that, to the extent the membership interest conveyed by this agreement comprises a security,

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ÕSECURITIES ACTÕ) NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH IN THE OPERATING AGREEMENT FOR HI`IAKA'S HEALING HERB GARDEN, LLC.

Approved and Agreed:

Hi`iaka's Healing Herb Garden, LLC

By: Barbara Fahs, Managing Member

Date

Member: _____

Signature

Date