

ATTACHMENT 58 D

The Estates of Harold K.L. Castle and Alice H. Castle

Trustees:

John C. Baldwin  
James C. McIntosh  
Hawaiian Trust Company, Limited  
President and Chief Executive Officer:  
Randolph C. Moore

Castle Junction  
1199 Auia Road  
Kaliua, Hawaii 96734-461  
Telephone (808) 266-1400

FACSIMILE TRANSMISSION COVER LETTER

Date: 8/2

To: NAME Guy Combs

LOCATION 915 537-3638

From: NAME \_\_\_\_\_

LOCATION KANEHOHE RANCH

13 PAGES TRANSMITTED, INCLUDING THIS COVER LETTER. IF YOU  
RECEIVE CLEAR COPIES OF ALL PAGES, PLEASE CALL US AT (808)

COMMENTS Re: Grove Farm board meeting  
this morning at 9:15 am HST.

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SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF  
GROVE FARM COMPANY, INCORPORATED  
C/O RANDOLPH G. MOORE  
KANEOTE RANCH COMPANY, LIMITED  
1199 AULOA ROAD  
KAILUA, OAHU 96734

August 1, 2000

To:	Donn Carswell	808-826-7210
	Guy Conbs	915-837-3638
	Pam Dohrman	mailed
	Hugh Klebahn	415-921-4057
	Bob Mullins	mailed
	Bill Pratt	262-0680

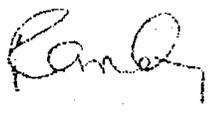
From: Randy Moore

The Special Committee will meet at 9 a.m. tomorrow, August 2 via telephone conference call, to be followed by a meeting of the Board of Directors at approximately 9:15 a.m.

The call will initiate from Jim Cribley's office, where Bill Pratt and I will be. We will call you at the following numbers, unless you advise Jim or me differently:

Curly	808-659-1484
Guy	800-561-3735
Pam	808-245-3240 alt. 808-635-4003
Hugh	415-921-4057
Bob	not available (in Florida)

An agenda of the Special Committee meeting, which describes the purpose, is attached.



copy to Jim Cribley via fax 523-1882

Grove Farm Company, Incorporated

August 2, 2000

Agenda

1. Review Aspen's response to our concerns
  - a) Moore letter to Burns 7/31<sup>v</sup>
  - b) Foley email responses 8/1 ✓
2. Review Honu's revised Addendum
  - a) Price \$140/share
  - b) Breakup fee = \$1,025,000 (\$5.99/share for 171,122 shares)
  - c) Honu has a period of ten business days to match any higher offer
  - d) Acceptance deadline of noon 8/2.

Recommendation to board of directors

4. Draft letter to shareholders
5. Timetable:
  - a) Request to First Hawaiian Bank for consent (8/4)
  - b) Definitive agreement signed 21- 45 days (8/25-9/15) ✓
  - c) Shareholders meeting one month later (9/25-10/15)
  - d) Closing one month later (10/25-11/15)
6. Informal meeting with shareholders:
  - a) Honolulu Wednesday 8/23 at 10 a.m. *Mon 8/28*
  - b) Puhi Thursday 8/24 at 9 a.m. *Tue 8/29*
  - c) San Francisco Thursday 9/7 at 5 p.m.

**SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF  
GROVE FARM COMPANY, INCORPORATED  
C/O RANDOLPH G. MOORE  
KANEIHOE RANCH COMPANY, LIMITED  
1199 AULOA ROAD  
KAILUA, OAHU 96734**

Telephone (808) 266-1411

Fax (808) 266-1419

July 31, 2000

via fax 394-5609 and email: [aspenvg@pixi.com](mailto:aspenvg@pixi.com)

Mr. Michael Burns  
President  
Aspen Venture Group, LLC  
Honolulu

Dear Mike:

The Special Committee discussed your July 27 letter of intent at great length.

We have the following concerns:

- 1) Our attorneys advise that the form of the transaction you propose is an "offering" of securities as clarified by Rule 145 of the Securities and Exchange Commission. If an exemption from the requirements of the Securities Exchange Act is not available, then the new preferred shares would need to be registered with the Securities and Exchange Commission. This is a lengthy and expensive process. Our attorneys believe that if there are more than 35 unaccredited Grove Farm shareholders, the Company would not be eligible for an exemption from the Securities Exchange Act. A possible way for the Company to be eligible for such an exemption is to provide for the immediate payment in full to any unaccredited current shareholders.
- 2) There is a major contingency in your proposal, which is that a binding sale of approximately 15,000 acres for approximately \$15 million be in escrow at the closing of Aspen's acquisition of the Company. We believe the First Hawaiian Bank loan documents require that the bank approve the sale by the Company of approximately 15,000 acres. Because the bulk of the proceeds, if not all of the proceeds, will go to buy out the preferred shareholders, we believe the bank will look at this transaction as a diminution of the assets supporting the parent company's obligations to the bank. We are doubtful the bank will approve the land sale unless it has access to assets elsewhere of equivalent value.

- 3) The source of funds for the second payment to preferred shareholders is not identified.
- 4) If the Company were to enter a Chapter 11 proceeding within one year after the preferred shareholders had received cash for their shares, it is possible a bankruptcy court would require such preferred shareholders to return the funds to the Company.
- 5) While our attorneys agree the proposed reorganization/recapitalization is probably tax-exempt, they advise that it is common for companies proposing such a reorganization/recapitalization to request and obtain before the fact a private letter ruling from the Internal Revenue Service. Such a request, we understand, typically takes three months for approval after it has been prepared and submitted. This affects the timetable of your proposed acquisition.

We are interested in discussing with you how the structure could be modified to eliminate these concerns.

Sincerely,

Randolph G. Moore

copy to Mr. Thomas M. Foley via fax 550-4605

## Randy Moore

**From:** "Tom Foley" <foley@hawaii.rr.com>  
**To:** <AspenVG@aol.com>; "Randy Moore" <rmoore@hawaii.rr.com>  
**Sent:** Tuesday, August 01, 2000 11:19 AM  
**Subject:** RE: Grove Farm

Upon some reflection and after speaking with Mike, we are more than a little concerned about the passage of time and the nature of this process. In many regards, I feel that we are being played off against other interested parties and that it will not be the best choice who prevails but rather the one with the most endurance. In addition, I believe that the legal costs incurred to date are likely to be staggering, all of which we inherit. As a consequence, I have recommended to Mike that we put some outside time limits on the process. Without a definitive agreement, what we are experiencing is a subtle bid war which has pushed the per share cost significantly above fair market value. Shareholders are in a very real way sharing on our upside before it occurs. It was true @\$125 a share and more so right now. The process has also limited the avenues we have available to turn the company around, forcing us to deploy much more cash to the redemptions than we should. Please speak with Mike. If a definitive agreement is not forthcoming within the next two weeks, I will recommend that we withdraw.

-----Original Message-----

**From:** Tom Foley [mailto:foley@hawaii.rr.com]  
**Sent:** Tuesday, August 01, 2000 8:33 AM  
**To:** Randy Moore; AspenVG@aol.com  
**Subject:** RE: Grove Farm

We are not at all concerned about the First Hawaiian Bank issue addressed in your July 31st letter. We need to meet with the bank on a much broader basis than just the line of credit. The loan requires only notice of intent to sell. It does not specifically require approval of the sale and while it may be a default the default would occur, if at all, at the time of the put option. I would argue that the sale to Henderson puts the company in significantly better financial health. We would deal with the bank on this and the other loan outstanding at the same time.

We would recommend that Grove engage Morrison Foerster to handle the recapitalization. Mike Burns has spoken with them and they are prepared to assist immediately. The tax issues are not complicated and do not justify the time and cost of a private ruling in my opinion. The issues were reviewed by Arthur Andersen nationally and this office. The time to complete the recapitalization is less than a month and could occur once the definitive agreement was signed.

The risk to us on bankruptcy is identical to shareholders. During the 12 months after closing is the period of concern with respect to the first redemption. The longer negotiation take the greater the relative risk. Grove will be forced to deal with upcoming loan payments and will undoubtedly look to sell land in bulk. We see no other alternatives. The problem for us is that it changes the asset mix and potentially interferes with our plans for development. Rumors are afoot that Schuler has or will have the rights to purchase two dozen lots in the residential subdivision with the net proceeds earmarked to satisfy the bank. A decision like this alters the asset mix, and places our negotiations with a strategic partner in jeopardy. We need to move the whole process along.

The securities issues are interesting but not insurmountable. We suggest the company engage Omick or Morrison on the mainland as local firms do not specialize in this area. I see several alternatives but would defer to your choice of mainland counsel. I have worked with both firms.

-----Original Message-----

**From:** Randy Moore [mailto:rmoore@hawaii.rr.com]  
**Sent:** Monday, July 31, 2000 2:04 PM  
**To:** AspenVG@aol.com  
**Cc:** foley@hawaii.rr.com

**Randy Moore**

**From:** "Randy Moore" <rmoore@hawaii.rr.com>  
**To:** <foley@hawaii.rr.com>  
**Cc:** <AspenVG@aol.com>  
**Sent:** Tuesday, August 01, 2000 4:20 PM  
**Subject:** Re: Grove Farm

Tom and Mike -

Thanks for your emails. The Special Committee and Board of Grove Farm will meet tomorrow at 9 a.m. to (hopefully) come to a final conclusion on the two proposals before us.

Randy

----- Original Message -----

**From:** Tom Foley  
**To:** Randy Moore  
**Cc:** Michael J. Burns  
**Sent:** Tuesday, August 01, 2000 3:01 PM  
**Subject:** RE: Grove Farm

Michael Burns spoke with MOFO on the Rule 145 issue and according to Mike they advised him that an S-4 is not required and that what is required is neither time consuming nor expensive. We certainly would feel comfortable having Morrison handle the securities and tax free recapitalization, neither of which are regarded as difficult. (3)

----- Original Message -----

**From:** Randy Moore [mailto:rmoore@hawaii.rr.com]  
**Sent:** Monday, July 31, 2000 2:04 PM  
**To:** AspenVG@aol.com  
**Cc:** foley@hawaii.rr.com  
**Subject:** Grove Farm

Mike -

Two things:

- 1) Attached is our response to your July 27 letter of intent.
- 2) Pacific Century Trust, in its capacity as trustee of several Wilcox family trusts that include Grove Farm shares, is independently valuing the Grove Farm shares. PCT (Herb Wheatman and Gil Farias) would like to discuss Aspen's valuation report with John Candon. John needs your permission to do this. Please give John permission to talk to Pacific Century Trust about this matter.

Thanks.

Randy

Addendum to Letter of Intent dated July 19, 2000  
Submitted by Honu Group, Inc.

This Addendum is attached to that certain Letter of Intent dated July 19, 2000 to Grove Farm Company, Incorporated by Honu Group, Inc.

1. The Acquisition Price shall be changed from \$136 per share to \$140 per share.
2. The second to the last sentence in paragraph 2 of the Letter of Intent is amended in its entirety with the following: "HG will offer to shareholders of the Company the opportunity to acquire land of the Company in accordance with the Land Sales Program which is summarized in Exhibit A attached hereto.
3. Exhibit A attached to the Letter of Intent is replaced in its entirety with Exhibit A attached to this Addendum.
4. HG is willing to establish a Minority Shareholder Program that will permit up to 15,401 shares (9% of the existing Stock) to be retained by existing shareholders. Participating shareholders will be required to meet certain conditions, including but not limited to the following: (i) Own at least 1,400 shares, (ii) Be a resident of the State of Hawaii, (iii) Be an "accredited investor," and (iv) Submit appropriate evidence of their status. As part of the Program, HG may also take other steps, including but not limited to the following: (i) The Articles of Incorporation of the Company may be amended to delete shareholders' pre-emptive rights, and (ii) To meet the need for future capital, the Company may issue a class of preferred stock with a preferred return that is in excess of interest rates found in loan transactions. The inclusion of a Minority Shareholder Program may require a restructuring of HG's merger proposal. In any event, the Minority Shareholder Program will be further conditioned on compliance with securities laws and other applicable law. In the event such compliance may result in a delay in the closing of the Acquisition, Honu Group shall have the right to close the Acquisition without the Minority Shareholder Program and make an offer to interested shareholders when all of the conditions to the due and proper establishment thereof have been fully satisfied.
5. Paragraph 9 of the Letter of Intent is amended in its entirety to read as follows:

**Exclusivity.** In consideration of the submission of the Letter of Intent and other valuable consideration received, the Company grants to HG the exclusive right to negotiate the Acquisition for the period commencing with the execution hereof and ending on the earlier of (i) the date HG and the Company agree to terminate negotiations regarding the Acquisition, (ii) three (3) business days following the Company's written notice to HG that HG has failed to conduct negotiations with the Company in a reasonably prompt manner (which failure shall continue through the three (3) business day period), provided such notice shall be given not earlier than 21 days following the execution of this Addendum, or (iii) 45 days after the execution of this Addendum. Except for sales in the ordinary course of business and receiving

unsolicited proposals, the Company will not, directly, or indirectly, through any officer, director, employee, or agent, initiate, solicit, encourage, respond to (except to acknowledge receipt thereof and to advise the party of the restrictions set forth herein), any proposal or offer from any person or entity relating to any acquisition or purchase of any material asset of, or any equity interest in, the Company or any of its Subsidiaries or any business combination with the Company or any of the Subsidiaries, or participate in any negotiations regarding, or furnish to any other person or entity 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. The Company shall provide HG with written notice of any inquiries, offers, expressions of interest or proposals received by the Company during the foregoing period.

The Definitive Agreement will include a provision which would permit the Company, under certain conditions, to negotiate an unsolicited offer with another person or entity if the Board of Directors reasonably concludes that it is a superior offer to the Definitive Agreement and (after consultation with outside counsel or if the Company's outside counsel or the board of directors' outside counsel advises the board of directors of the Company) that the failure to negotiate with such person or entity would result in a breach of the fiduciary duties of the Company's directors (a "Superior Offer"). In the event the Board of Directors makes the determination that a competing offer is a Superior Offer and the Company executes a definitive agreement regarding such Superior Offer (subject, however, to effectiveness only after compliance with HG's rights of first refusal and/or right to payment as set forth below), the Company shall promptly provide HG in writing with a ten business day opportunity to (i) match (as closely as reasonably possible with respect to economic terms, if the consideration is not solely in cash) the Superior Offer or, at HG's option, (ii) require the Company to promptly pay to HG the amount of \$1,025,000 (the "Termination Payment") as a reasonable approximation of HG's out-of-pocket expenses and foregone opportunity costs (which shall allow the Company to accept the Superior Offer).

6. HG reserves the right to withdraw the Letter of Intent and this Addendum if not accepted by 12:00 p.m., Hawaii Standard Time on August 2, 2000. Execution of this Addendum by the Company shall mean that the Company has received Board of Directors' approval of the Letter of Intent and this Addendum.

(The remainder of this page is intentionally left blank)

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Dated: August 1, 2000

HONU GROUP, INC.

By:   
Andrew J. Smith  
Its Chief Executive Officer

Accepted and Agreed:

GROVE FARM COMPANY, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

COMPARE  
COPY

unsolicited proposals, the Company will not, directly, or indirectly, through any officer, director, employee, or agent, initiate, solicit, encourage, respond to (except to acknowledge receipt thereof and to advise the party of the restrictions set forth herein), any proposal or offer from any person or entity relating to any acquisition or purchase of any material asset of, or any equity interest in, the Company or any of its Subsidiaries or any business combination with the Company or any of the Subsidiaries, or participate in any negotiations regarding, or furnish to any other person or entity 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. The Company shall provide HG with written notice of any inquiries, offers, expressions of interest or proposals received by the Company during the foregoing period.

The Definitive Agreement will include a provision which would permit the Company, under certain conditions, to negotiate an unsolicited offer with another person or entity if the ~~Company reasonably believes~~ Board of Directors reasonably concludes that it is a superior offer to the Definitive Agreement and (after consultation with outside counsel or if the Company's outside counsel or the board of directors' outside counsel advises the board of directors of the Company) that the failure to negotiate with such person or entity would result in a breach of the fiduciary duties of the Company's directors (a "Superior Offer"). In the event the ~~Company Board of Directors~~ makes the determination to ~~accept such unsolicited offer~~ that a competing offer is a Superior Offer and the Company executes a definitive agreement regarding such Superior Offer (subject, however, to effectiveness only after compliance with HG's rights of first refusal and/or right to payment as set forth below), the Company shall promptly provide HG in writing with a ten-business day opportunity to (i) match (as closely as reasonably possible with respect to economic terms, if the consideration is not solely in cash) such ~~unsolicited offer~~ and shall at the same time provide HG with the option to either (i) the Superior Offer or, at HG's option, (ii) require the Company to promptly pay to HG the amount of \$1,025,000 (the "Termination Payment") as a reasonable approximation of HG's out-of-pocket expenses and foregone opportunity costs (which shall allow the Company to accept the ~~unsolicited offer~~) or (ii) match the ~~unsolicited offer~~ and receive a credit towards HG's purchase price in the amount of the Termination Payment. Superior Offer).

6. HG reserves the right to withdraw the Letter of Intent and this Addendum if not accepted by 5:00 p.m., Hawaii Standard Time on August 1, 2000. Execution of this Addendum by the Company shall mean that the Company has received Board of Directors' approval of the Letter of Intent and this Addendum.

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Draft #4- 8/1/00

August 2, 2000

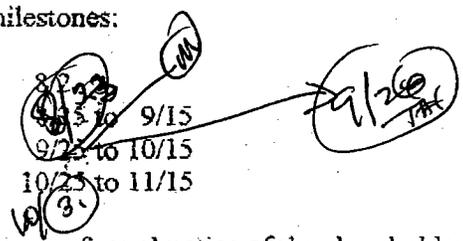
To the Shareholders:

The Company today signed a letter of intent with Honu Group, Inc. for a transaction under which a to-be-organized subsidiary of Honu would acquire at least 91% of the shares of Grove Farm Company, Incorporated for \$140 per share, payable in cash at the closing.

Honu is a Honolulu-based real estate company. It and its principals are experienced in real estate acquisition, development, construction and management. Its chairman, Andrew Smith, is a resident of Kauai.

The letter of intent provides for the Company and Honu to negotiate a definitive agreement under which this transaction would proceed, provided the holders of at least 75% of the Grove Farm shares vote in favor of the proposed transaction. The letter of intent provides for the definitive agreement to be signed within 45 days, but Honu believes it will not take the full 45 days. The timetable below gives the range of dates likely for the milestones:

- Letter of intent signed
- Definitive agreement signed
- Shareholders meeting
- Closing



Once we have a definitive agreement signed we will give you formal notice of the shareholders meeting that will be held to vote on the proposal. The notice of the shareholders meeting will include a copy of the definitive agreement and other information you may need in order to make an informed decision on how to vote.

Honu's proposal would allow up to 9% of the shares to be retained by the current shareholders. However, continuing shareholders would have to be Hawaii residents and would be required to meet certain other criteria, including owning at least 1,400 shares, being "accredited investors" (meaning meeting minimum net worth or minimum annual income levels) and furnishing evidence that they are "accredited investors."

Honu's proposal would also allow up to 40% of the shares to be exchanged for Grove Farm land. Shareholders who wish to receive land in exchange for their shares would be able to select from specific parcels in Haiku, Koloa and Mahaulepu. The availability of Koloa and Mahaulepu parcels would be subject to the Company being able to create condominium ownership for existing lots, and shareholders who elect to receive the condominium interests would be required to pay a pro-rata share of the cost to create the condominium interests as well as a pro-rata share of future costs to provide roads and utilities to these properties. The land-for-shares transaction would be taxable to the participating shareholders. It is not likely that land-for-shares program would be of interest to shareholders owning fewer than 1,000 shares. Property conveyed to the shareholders in a land-for-shares program would likely be subject to easements in favor of the Company and others for vehicular and utility access across the conveyed property. Shareholders receiving land instead of cash for their shares would likely receive title to the land several months

after the closing of the cash-for-shares transaction. Details of the land-for-shares program would be spelled out in the definitive agreement.

To discuss these and other matters with the shareholders, we will schedule informal meetings with the shareholders prior to the formal meeting of shareholders that will be held to vote on the definitive agreement. The dates below are tentative. We will write you again with firm dates once we have them.

Honolulu:	Wednesday, August 23 (morning)
Puhi:	Thursday, August 24 (morning)
San Francisco:	Thursday, September 7 (late afternoon)

Very truly yours,

Randolph G. Moore  
Chairman, Special Committee

8/23/84  
RGM  
RGM

~~UNDISCLOSED~~

of it to shareholders