

**READ THIS
PROPERTY REPORT
BEFORE SIGNING
ANYTHING**

This Report is prepared and issued by the developer of this subdivision. It is not prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.

If you received this Report prior to signing a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two years from the date of signing.

NAME OF SUBDIVISION MOUNTAINSTAR RESORT

NAME OF DEVELOPER MountainStar Resort Development, LLC

DATE OF THIS REPORT September 25, 2003

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UTILITIES

Here we will discuss the availability and cost of basic utilities. The areas covered will be water, sewage disposal, electricity, telephone, and fuel or other energy sources.

WATER

The subdivision will be served by a central water system.

Central System

Water to supply the subdivision will be derived from water rights owned by Trendwest and will be diverted, treated and conveyed to the subdivision through a water supply system operated by the City of Cle Elum, 119 W. 1st Street, Cle Elum, Washington 98922, a municipal corporation. The water system operation and water quality are regulated by the Washington Department of Health.

The City will divert, treat and convey the water through the City's water supply system to water distribution facilities within the subdivision which are connected to the City's system. The water distribution facilities within the subdivision will be operated by MountainStar Resort Resources, Inc., an affiliate of the developer.

We are responsible for construction of the water delivery system to the subdivision, the reservoir for the water system, and the water distribution lines within the subdivision to locations in front of or adjacent to the lots. Construction of these facilities commenced in September 2002, is approximately 20% complete, and is estimated to be completed in October 2003. Performance bonds have been posted in favor of the Kittitas County to provide financial assurance of completion of the water delivery system to the subdivision, the reservoir and water distribution lines within the subdivision to lots in MountainStar Division 1-A.

The City of Cle Elum has stated that the capacity of its existing water treatment plant is sufficient to serve all lots in MountainStar Division 1-A included in this offering. However, construction of a new water treatment plant by the City is underway, which is designed to have sufficient capacity to provide water to users within the City and the Town of South Cle Elum as well as other users on lands located nearby, including the subdivision. Water from the City of Cle Elum's water treatment plant is tested for purity and chemical content on a regular basis and meets all applicable standards for drinking water established by federal, state and local governmental authorities.

LOTS IN MOUNTAINSTAR DIVISION I-A CANNOT BE SERVED BY THE CENTRAL WATER SYSTEM AT THIS TIME BECAUSE WATER LINES HAVE NOT YET BEEN EXTENDED TO THE LOTS.

The Washington Department of Health must approve the design of the central water system and we have obtained such approval. No other approvals are required to be obtained by us in connection with the construction of the water distribution system within MountainStar Division 1-A.

You will be responsible for payment of a Capital Recovery Charge of \$3,777 which will be assessed to each lot purchaser and collected by us at closing of your lot purchase. This charge will be a partial reimbursement of our cost of construction by the City of a new water treatment plant, including the pump at the diversion point and transmission mains to the treatment plant, and capital recovery for the reservoir and the distribution system from the treatment plant to the reservoir. You will also be responsible for a meter drop charge, currently \$300, payable to MountainStar Resort Resources, Inc. at the time of connection to the system. At such time as the water line has been stubbed from the main to your lot line (estimated for completion in November 2003) and before actual monthly service begins, you will also pay a "ready-to-serve fee", currently estimated to be \$10.00 per month, to MountainStar Resort Resources, Inc. The fees charged by MountainStar Resort Resources, Inc. are subject to change from time to time.

The rates charged by MountainStar Resort Resources, Inc. will be regulated by the Washington Utilities and Transportation Commission when there are 100 connections to the central water system or when the average water service fee charged by MountainStar Resort Resources, Inc. equals or exceeds \$429 per year (equivalent to \$35.75 per month) per connection.

Upon completion of the water delivery system from the City of Cle Elum's treatment facilities to the MountainStar water distribution facilities, the water delivery system will be transferred to the City of Cle Elum for operation and maintenance. The MountainStar water distribution facilities will be transferred to MountainStar Resort Resources, Inc. for operation and maintenance. Such facilities will not be transferred to the Residential Association.

You will not be permitted to drill a well on your lot or use individual water systems. Water will not be available to residential lots until after the central water system has been extended to your lot.

SEWER

The method of sewage disposal to be used for the lots in this subdivision is a central sewer system.

Central System

Sewage disposal service in the subdivision will be provided by a connection of the sewage collection lines within the subdivision to the sewage treatment plant of the City of Cle Elum, 119 W. 1st Street, Cle Elum, Washington 98922, a municipal corporation. The operation of the wastewater treatment facility is regulated by the Washington Department of Ecology.

We are responsible for construction of the infrastructure necessary to transport wastewater from the subdivision to the City of Cle Elum's sewage treatment plant ("Off-site Collection Facilities"). Construction of the Off-site Collection Facilities commenced in August 2002, is approximately 20% complete and is estimated to be completed in October 2003. We are also responsible for construction of the sewage collection lines within the subdivision ("On-Site

Collection System") to locations in front of or adjacent to the lots in MountainStar Phase 1-A. We will bear the cost of construction of the Off-site Collection Facilities and the On-site Collection System. Construction of the On-site Collection System commenced in March 2003, is presently 65% complete and is estimated to be completed in October 2003. The On-Site Collection System will be owned and operated by MountainStar Resort Resources, Inc., an affiliate of the developer.

A bond has been posted in favor of Kittitas County to provide financial assurance of completion of the Off-site Collection Facilities and the On-site Collection System in MountainStar Division 1-A.

The City of Cle Elum has indicated that the capacity of its existing sewage treatment plant is sufficient to serve all lots in MountainStar Division 1-A included in this offering. The City has completed improvements to its existing sewage treatment facilities to provide treatment capacity to serve all lots in MountainStar Division 1-A. The City of Cle Elum, the Town of South Cle Elum, the City of Roslyn and Trendwest are parties to an agreement which contemplates the construction of a regional wastewater treatment facility to meet the wastewater treatment needs of all of the parties to the agreement; however, this regional treatment facility is not required to serve the lots in MountainStar Division 1-A included in this offering. A bond has been posted in favor of the City of Cle Elum to assure completion of certain sewer improvements related to the regional wastewater treatment facility.

Approval of the Kittitas County Public Works Department required for construction of the On-site Collection System to the lots in MountainStar Division 1-A has been obtained. However, the approval of the City of Cle Elum and, to the extent necessary as determined by the City, approval by the Washington Department of Ecology of the plans for the Off-site Collection Facilities have not yet been obtained.

THE NECESSARY APPROVALS FOR THE CONSTRUCTION OF THE OFF-SITE COLLECTION FACILITIES HAVE NOT BEEN OBTAINED. THEREFORE, THERE IS NO ASSURANCE AT THIS TIME THAT SUCH FACILITIES CAN BE CONSTRUCTED OR USED.

You will be responsible for payment of a Capital Recovery Charge of \$3,773 which will be assessed to each lot purchaser and collected by us at closing of your lot purchase. This charge will be a partial reimbursement of our cost of construction of improvements to the City of Cle Elum's sewage treatment plant and capital recovery for the Off-site Collection Facilities. You will also be responsible for payment to MountainStar Resort Resources, Inc. of a connection fee, currently \$100, at the time of connection to the sewer system. At such time as the sewer line has been stubbed from the main to your lot line (estimated for completion in November 2003) and before actual monthly service begins, you will also pay a "ready-to-serve fee", currently estimated to be \$10.00 per month, to MountainStar Resort Resources, Inc. The fees charged by MountainStar Resort Resources, Inc. are subject to change from time to time.

The rates charged by MountainStar Resort Resources, Inc. are not regulated by a public authority.

Due to topographic constraints, some homes may be sited at an elevation below the roadway and therefore below the gravity sewer main. Such homes may require a pressure sewer service connection to the gravity sewer main and will be required to install a sewage pump and pressure sewer service connection to the sewer main. The following lots in MountainStar Division 1-A will require a sewage pump and pressure sewer service connection to the sewer main: Lots 56, 58-66, 138-186, 216, 229-234, 246 and 247.

The following lots in MountainStar Division 1-A will be serviceable by gravity sewage service, but may require a sewage pump and pressure sewer service connection to the sewer main depending on the specific location of the home. If the lot owner chooses to build a home on a portion of the lot below the elevation required for gravity sewer service, then a sewage pump and pressure sewer service connection to the sewer main as described above may be required: Lots 15-18, 34-36, 82 and 83. On these lots, construction of plumbing fixtures at the lowest portion of the lot could prohibit standard gravity service. Sewage pumps and pressure sewer service connection to the sewer main may be required unless the home and plumbing fixtures are carefully designed.

You will be responsible for the cost of any individual lift stations with sewage pumps installed on your lot, which is estimated to be approximately \$2,500 to \$3,500.

Upon completion of the Off-site Collection Facilities, we anticipate that such Facilities will be transferred to the City of Cle Elum for operation and maintenance. Such facilities will not be transferred to the Residential Association.

You will be required to connect to the central sewage system, and will not be permitted to use individual on-site sewage disposal systems. Sewage disposal service will not be available to your lot until the central sewer system has been extended to your lot.

ELECTRICITY

Electricity will be available to the subdivision for lighting and appliances and will be supplied by Puget Sound Energy, Inc., P. O. Box 97034, Bellevue, Washington 98009-9734, a utility company which is regulated by the Washington State Utilities and Transportation Commission.

The electric company will extend primary electrical service lines in front of, or adjacent to, each of the lots in the subdivision in conjunction with road construction and the installation of the other utilities. Construction of the electrical lines to lots in MountainStar Division 1-A commenced in August 2002, is currently 20% complete, and is estimated to be completed in October 2003, at which time service will be available.

We will bear the cost of construction of the electric lines by the electric company. A bond has been posted in favor of Kittitas County to assure completion of the trenching and conduit for the electric lines; however, the bond does not cover the extension of electrical service lines to the lots.

NO FUNDS HAVE BEEN SET ASIDE IN AN ESCROW OR TRUST ACCOUNT NOR HAVE ANY OTHER FINANCIAL ARRANGEMENTS BEEN MADE TO ASSURE COMPLETION OF THE EXTENSION OF ELECTRICAL SERVICE LINES TO THE LOTS.

You will not be responsible for any construction costs of extending electrical service lines to locations in front of or adjacent to your lot. You will be required, however, to pay to Puget Sound Energy the usual, regulated connection fees to obtain service, as well as any costs charged by Puget Sound Energy for extending service lines from the lot line to your dwelling.

In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water. However, exemptions from gas use may be granted by us, through the Design Review Committee, in our sole discretion. Consistent with the requirements of Puget Sound Energy, the total number of exemptions granted will not exceed 10% of all residential uses at any time. Exemptions from gas use will be considered at the time application is made to the Design Review Committee for design approvals for the home you intend to build on your lot.

TELEPHONE

Telephone service will be available to the subdivision and will be supplied by Inland Telephone Company, 103 South Second Street, Roslyn, Washington 98941, a utility company which is regulated by the Washington State Utilities and Transportation Commission.

The telephone company will extend telephone service lines in front of, or adjacent to, each of the lots in the subdivision in conjunction with road construction and the installation of the other utilities. Construction of the telephone lines to lots in MountainStar Division 1-A commenced in August 2002, is currently 20% complete, and is estimated to be completed in October 2003, at which time service will be available.

We will bear the cost of trenching and conduit for the telephone lines. A bond has been posted in favor of Kittitas County to provide financial assurance of completion of trenching and conduit for the telephone lines in MountainStar Division 1-A. The telephone company will bear the cost of extending the telephone lines to the lots in MountainStar Division 1-A.

Telephone facilities will be extended to the lots at no cost to the lot owners. You will be required, however, to pay the usual, regulated connection fees to obtain service, as well as any costs charged by the telephone company for extending service lines from the lot line to your dwelling.

FUEL OR OTHER ENERGY SOURCE

In compliance with the requirements of the contract for electric service with Puget Sound Energy, electricity will be limited to service for lighting and appliances. Propane (or natural gas, if and when it becomes available) must be used for heat and hot water.

Propane gas is available as an energy source from various suppliers in this area, including Northern Energy located in Ellensburg, Washington.; AmeriGas, located in Ellensburg, Washington; and A-1 Petroleum located in Ellensburg, Washington. Based on information provided by Northern Energy, the estimated cost to purchase an above-ground storage tank is approximately \$539.00 for a 250-gallon tank and \$875.00 for a 500-gallon tank. The estimated cost to purchase an underground tank is \$830.00 for a 250-gallon tank and \$1,130.00 for a 500-gallon tank. The estimated cost to lease an above-ground storage tank is approximately \$50.00 per year for a 250-gallon tank and \$65.00 per year for a 500-gallon tank. An installation fee of \$75.00 for an underground line up to 100 feet and a trenching fee at \$50.00 per hour are also charged in connection with both rental and purchase of a storage tank. These charges are subject to change by Northern Energy. We recommend that you contact the other suppliers for their charges.

Above-ground propane tanks must be screened and the location of such tanks and the screening must be approved by the DRC.

We are currently negotiating with Puget Sound Energy, Inc., P. O. Box 97034, Bellevue, Washington 98009-9734, a utility company which is regulated by the Washington State Utilities and Transportation Commission, for the provision of natural gas service to the subdivision. We are not contractually obligated to you to provide natural gas lines at this time as a contract with Puget Sound Energy has not been executed and the required easements and rights-of-way have not yet been obtained. Therefore, there is no assurance at this time that natural gas will be available to the subdivision. In order to be able to utilize natural gas, if and when it is available in the future, owners who wish to use propane gas on an interim basis until natural gas is available should consider purchasing gas appliances that can be converted from propane to natural gas.