

Correlation Grid

The correlation grid recites sales of properties most similar to subject that have been considered in the market analysis.

The Correlation Grid with the just the 0.74-acre tract:

| Item | Subject | Comp 1 | Comp 2 | Comp 3 |
|------------------|---------------|---------------------------------|---------------------------------|------------------------------------|
| Address | The Oaks Dev. | US 27 & Hwy 92 | US 27 & Hwy 92 | US 27 & Court St |
| Proximity | Whitley City | Pine Knot 4-5 Miles South | Pine Knot 4-5 Miles South | Whitley City 1-2 Miles South |
| Sales Price | | \$125,000.00 | \$200,000.00 | \$65,000.00 |
| Lot Size (Acres) | 0.740 | 0.236 | 2.070 | 0.280 |
| \$/Acre | | \$529,661.02 | \$96,618.36 | \$232,142.86 |
| Data Source | | DB 149 Pg 377 | DB 149 Pg 381 | DB 150 Pg 084 |
| Verified | | PVA/Site Visit | PVA/Site Visit | Owner/Site Visit |
| Date of Sale | | 04/20/99 | 04/20/99 | 06/25/99 |
| Location | Average | Good | Good | Average |
| Topography | Level | Level | Level | Below Grade |
| Indicated Price | | \$391,949.15 | \$71,497.58 | \$171,785.71 |
| Recapture Period | 10 Yrs | \$3,266.24 | \$595.81 | \$1,431.55 |

| Item | Subject | Comp 4 | Comp 5 | Comp 6 |
|------------------|---------------|------------------------------------|----------------------------------|---------------------------------------|
| Address | The Oaks Dev. | US 27 & Court St | US 27 | US 27 |
| Proximity | Whitley City | Whitley City 1-2 Miles South | Whitley City Across Street | Whitley City 300 feet Northeast |
| Sales Price | | \$62,500.00 | \$150,000.00 | \$250,000.00 |
| Lot Size (Acres) | 0.740 | 0.390 | 0.610 | 1.100 |
| \$/Acre | | \$160,256.41 | \$245,901.64 | \$227,272.73 |
| Data Source | | DB 137 Pg 672 | DB 154 Pg 519 | Lease |
| Verified | | Owner/Site Visit | Owner/Site Visit | Lessor/Site Visit |
| Date of Sale | | 03/28/96 | 08/31/00 | Aug-01 |
| Location | Average | Average | Good | Good |
| Topography | Level | Below Grade | Level | Level |
| Indicated Price | | \$118,589.74 | \$181,967.21 | \$168,181.82 |
| Recapture Period | 10 Yrs | \$988.25 | \$1,516.39 | \$1,401.52 |

The Correlation Grid with the additional 0.50-acre tract:

| Item | Subject | Comp 1 | Comp 2 | Comp 3 |
|-------------------------|----------------|---------------------------------|---------------------------------|------------------------------------|
| Address | The Oaks Dev. | US 27 & Hwy 92 | US 27 & Hwy 92 | US 27 & Court St |
| Proximity | Whitley City | Pine Knot 4-5 Miles South | Pine Knot 4-5 Miles South | Whitley City 1-2 Miles South |
| Sales Price | | \$125,000.00 | \$200,000.00 | \$65,000.00 |
| Lot Size (Acres) | 1.240 | 0.236 | 2.070 | 0.280 |
| \$/Acre | | \$529,661.02 | \$96,618.36 | \$232,142.86 |
| Data Source | | DB 149 Pg 377 | DB 149 Pg 381 | DB 150 Pg 084 |
| Verified | | PVA/Site Visit | PVA/Site Visit | Owner/Site Visit |
| Date of Sale | | 04/20/99 | 04/20/99 | 06/25/99 |
| Location | Average | Good | Good | Average |
| Topography | Level | Level | Level | Below Grade |
| Indicated Price | | \$656,779.66 | \$119,806.76 | \$287,857.14 |
| Recapture Period | 10 Yrs | \$5,473.16 | \$998.39 | \$2,398.81 |

| Item | Subject | Comp 4 | Comp 5 | Comp 6 |
|-------------------------|----------------|------------------------------------|----------------------------------|---------------------------------------|
| Address | The Oaks Dev. | US 27 & Court St | US 27 | US 27 |
| Proximity | Whitley City | Whitley City 1-2 Miles South | Whitley City Across Street | Whitley City 300 feet Northeast |
| Sales Price | | \$62,500.00 | \$150,000.00 | \$250,000.00 |
| Lot Size (Acres) | 1.240 | 0.390 | 0.610 | 1.100 |
| \$/Acre | | \$160,256.41 | \$245,901.64 | \$227,272.73 |
| Data Source | | DB 137 Pg 672 | DB 154 Pg 519 | Lease |
| Verified | | Owner/Site Visit | Owner/Site Visit | Lessor/Site Visit |
| Date of Sale | | 03/28/96 | 08/31/00 | Aug-01 |
| Location | Average | Average | Good | Good |
| Topography | Level | Below Grade | Level | Level |
| Indicated Price | | \$198,717.95 | \$304,918.03 | \$281,818.18 |
| Recapture Period | 10 Yrs | \$1,655.98 | \$2,540.98 | \$2,348.48 |

Comments on Sales Comparison Approach-Land

The Market Data represents similar tracts from the similar areas of the county and supports the value well. The distance from the subject, condition, location and improvements have been considered in the valuation process. All sales are closed.

Comparable Sale # 1 sold for \$125,000 for 0.236-acres or \$529,661 per acre. The tract is in the southeast quadrant of the US 27/KY 92 intersection in Pine Knot. It is slightly above road grade with similar topography. It has been improved with a co-branded convenience store/fast food restaurant. This sale is a case where the supply was limited, and the desire of buyer was great enough to pay twice that amount of any other land sale in McCreary County to date.

Comparable Sale # 2 sold for \$200,000 for 2.07-acres or \$96,618.36 per acre. The Combined total is \$325,000 for 2.306 acres or \$140,936.69/Acre.

Comparable Sale # 3 sold for \$65,000 for 0.28 acres or \$232,143 per acre. The site was improved with an older home, which has since been razed. The site was raised to road level and a car wash has been constructed on the site.

Comparable Sale # 4 sold for \$62,500 for 0.39 acres or \$160,256 per acre. The site was purchased by the same buyer as Comparable # 3 and is located across the street from same. It too required site work to bring up to road grade. It has been improved with a convenience store.

Comparable Sale # 5 sold for \$150,000 for 0.65-acre or \$230,769.23 per acre. The site was improved with a convenience store, gas pumps and canopy, which were razed. The tract is the front portion of the new Long John Silvers/Pizza Inn.

Comparable Sale # 6 was leased to The Bank of McCreary County for an initial 30-year term for \$250,000, with options for four 5-year terms. Based upon the 361st payment of \$4,000, and the 10% increase after this term, the initial payment would be \$2,125.76 per month, and adjusting the payment upwards 10% every 60 month, the total payments would be \$1,012,087.20. Utilizing the \$250,000 as the net present value of the future income, the return would have been 11.2%. The recapture for the first 120-months would have been \$269,263.20 for the 1.10 acres or \$244,784.73 per acre. The ground lease for the Post Office started at \$31,512 per annum for the first 120 years. This would equal a total of \$315,120.00 for the 1.39 acres or \$226,705.04 per acre.

The property is located off Hwy 27 and would be considered second tier property. Typical second tier property sells for ¼ to ½ of the road front property. In a typical market where the demand and supply were in equilibrium, one would expect the market value of the 0.74-acre tract to be in the \$75,000 to \$125,000 acre range. The two key components that must be thoroughly understood before it is possible to develop the proper value judgments and selection of the appropriate comparable data: supply and demand and highest and best use. The highest and best use normally would not be covered in the appraisal because of the nature of the appraised parcel, vacant land, but the future use of the tract (Community Center) and the impact that this use will have on the amount of on-site traffic generated by the building for the remaining development is a factor in the desirability of the remaining tracts. The developer would want an owner/tenant that would generate consistent traffic flow for the development at all times, such a retail operation, a restaurant, an office building or service type business (quick oil change/car wash).

The supply and demand is a factor that must be dealt with also. The four components of supply and demand are: utility, scarcity, desire and effective purchasing power. Utility-the ability of a product to satisfy a human want, need or desire- and scarcity- the present, or anticipated supply of an item relative to the demand for it- are supply factors while desire-a purchaser's desire for an item to satisfy human needs or individual wants beyond the essentials required to support life- and effective purchasing power-the ability of an individual or group to participate in a market- are demand factors.

The desire of South Kentucky RECC is to be on Hwy 27 near its present operation. Its present operation is located across the street from the development. The supply of available tracts on Hwy 27 is very limited. All available vacant tracts are part of the Oaks Development. There are no tracts with older buildings that contribute little to the overall sales price of the tract-where the client could purchase the property and raze the building. Utility-the appraised tract is in/near the location desired by the client, and has all available utilities as any tract upon 27, along with good accessibility and last is the effective purchasing power of the client-equal to that of any other potential national or regional purchaser. When fully developed the appraised location will be between the Oaks Shopping Center and a Grocery Store and Pamida, at a stop sign. This spot will have one of the busiest traffic counts of any off 27 location in McCreary County when the development is completed. The use of the property as a community center does not require the present location. It can be anywhere within the Oaks Development, or anywhere else. The present location is the best 2nd tier property within the development.

- **Summary**
- **0.74-Acre Tract**
- Taking all comparable sales into consideration and giving equal weight to all, a market value for the subject site as though vacant and fee simple acquisition would be \$200,000 per acre. The land value can now be determined.

$$0.74\text{-acre} \times \$200,000 = \$148,000$$

SAY \$150,000

The Sales Comparison Approach Indicates a Value of \$150,000*

*This value is for the land as though vacant, and available for sale with a fee simple estate.

Utilizing the \$150,000 determined value, the lease payment based upon a 10-year recapture would be:

$$\$150,000 / 120 \text{ months} = \$1,250 \text{ per month}$$

Say \$1,250

- **Summary**

- **1.24-Acre Tract**

- Taking all comparable sales into consideration and giving equal weight to all, a market value for the subject site as though vacant and fee simple acquisition would be \$175,000 per acre due to the location of the extra land (rear of tract). The land value can now be determined.

$$1.24\text{-acre} \times \$175,000 = \$217,000$$

SAY \$215,000

The Sales Comparison Approach Indicates a Value of \$215,000*

*This value is for the land as though vacant, and available for sale with a fee simple estate.

Utilizing the \$215,000 determined value, the lease payment based upon a 10-year recapture would be:

$$\$215,000 / 120 \text{ months} = \$1,791.67 \text{ per month}$$

Say \$1,800

Most leases will have an escalation provision, with the most common one being tied to the Consumer Price Index published by the Labor Department. Most lessors will raise the lease payment every 5th year, with the increase being based on the change in the CPI over the past 5 years. Many will have a maximum percentile change over a year's time (caps), with this being 3%. The annual change has ranged from 1.6% (1998) to 6.1% (1990), with the average being 2.93% in the 90's, and 2.36% over the past 5 years. Based upon the CPI, one should expect an increase of 11%-14.5% over a 5-year period based upon the past 10 years.

Income Approach

The income approach will not be utilized in the valuation process.

Cost Approach


The Cost Approach is not applicable due the nature of the subject-vacant land.

Reconciliation

The Sales Comparison Approach has indicated a fee simple value of **\$150,000** for the **0.74-acre** tract, and a value of **\$215,000** for the **1.24-acre** tract. Based upon a ten-year recapture rate, a monthly lease payment for the **0.74-acre** tract would be **\$1,250.00** and for the **1.24-acre** tract, the monthly lease payment would be **\$1,800.00** per month.

**The Indicated Value of the Subject Property Is \$150,000 for the 0.74-acre tract
And
\$215,000 for the 1.24-acre tract.**

| | |
|--|------------------|
| Cost Approach: | Not Applicable |
| Income Approach | Not Utilized |
| Sales Comparison Approach | |
| Fee Simple Value 0.74-acre tract: | \$150,000 |
| Expected Lease Payment: | \$1,250.00/Month |
| | |
| Fee Simple Value 1.24-acre tract: | \$210,000 |
| Expected Lease Payment: | \$1,800.00/Month |
| | |
| Final Estimate Of Value | |
| Fee Simple Value 0.74-acre tract: | \$150,000 |
| Fee Simple Value 1.24-acre tract: | \$210,000 |



Mark H. Vaught
General Real Property Appraiser
License # 2271

ADDENDA

MEMORANDUM OF LEASE

THIS MEMORANDUM, dated this 16th day of July, 1996 by and between

LARRY LOUDERMILK, JR. and LORAINÉ LOUDERMILK, husband and wife, with an address of P.O. Box 352, Whitley City, Kentucky 42653, (hereinafter referred to as "Lessors"), and

R.G. STEPHENS, INC., a Kentucky Corporation, with an address of P.O. Box 369, Whitley City, Kentucky 42653 (hereinafter referred to as "Lessee"),

WITNESSETH: For the purpose of recording notice of the existence of a lease by and between the parties hereto, the Lessors and Lessee state that for a term of ninety nine (99) years from and after July 1, 1996, the Lessors have leased to the Lessee the following described real property located in McCreary County, Kentucky, to-wit:

TRACT NO. 1:

Being located in McCreary County, Kentucky, about one mile northeast of Whitley City adjacent to US Highway 27, designated Tract #1356 XXV by the United States Forest Service and being part of Tract V of the property conveyed to Larry Loudermilk by deed from Bernice Stephens, widow of S.M. Stephens, dated October 1, 1983, recorded in Deed Book 104, page 77, McCreary County Court Clerk's Office, and being more particularly described as follows:

BEGINNING in the concrete highway right of way post (found); thence S 79° 54' W 65.00 feet to a steel pipe; thence N 48° 57' W 436.46' to a steel pipe; thence S 43° 23' W 546.21' to a steel pipe; thence S 71° 36' W 132.29' to a steel pipe; thence S 46° 02' W 127.68 feet to a steel pipe; thence S 43° 38' W 570.24 feet to a steel pipe; thence N 60° 23' W 52.21' to a steel pipe; thence N 19° 58' W 580.90 feet to a steel pipe; thence N 70° 30' E 700.76 feet to a steel pipe; thence N-19°-21' W to N 19° 51' W the Boris Haynes Drive; thence in an eastern direction along the south side of Boris Haynes Drive to a steel pipe; thence N 83° 16' E 90.16' to US Highway 27; thence along US Highway 27 S 06° 44' E 710.99 feet to the BEGINNING corner.

TRACT NO. 2:

Being located about one mile north of Whitley City on US Highway No. 27, in McCreary County, Kentucky, and being all the same property conveyed to Larry Loudermilk by deed from Beatrice Stephens, individually and as Attorney in Fact for S.M. Stephens, dated

October 27, 1979 and recorded in Deed Book 90, page 22, McCreary County Court Clerk's Office. Reference is made to the deed for description of the same as if copied in full herein.

IN TESTIMONY WHEREOF, WITNESS the signatures of the parties this day and year first above written.

LESSORS:

Larry Loudermilk, Jr.
LARRY LOUDERMILK, JR.

Lorraine Loudermilk
LORRAINE LOUDERMILK

LESSEE:

R.G. STEPHENS, INC.

BY: Richard G. Stephens

ITS: Publ

STATE OF KENTUCKY

COUNTY OF Bell

I, Richard G. Stephens, the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 16th day of July, 1996, produced to me in said state and county and was then and there acknowledged before me by Larry Loudermilk, Jr. and Lorraine Loudermilk, parties thereto, to be his and her own voluntary act and deed.

My commission will expire: 4-01-00.

Richard G. Stephens
NOTARY PUBLIC/STATE AT LARGE

STATE OF KENTUCKY

COUNTY OF McCreary

I, Richard G. Stephens, Jr., the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 16th day of July, 1996, produced to me in said state and county and was then and there acknowledged before me by R.G. Stephens, Inc. by and through Richard Stephens, its President, to be the voluntary act and deed of said corporation.

My commission will expire: 4-01-00.

Richard G. Stephens, Jr.
NOTARY PUBLIC/STATE AT LARGE

THIS INSTRUMENT PREPARED BY:

Darrell L. Saunders
DARRELL L. SAUNDERS
ATTORNEY AT LAW
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
PHONE: (606) 523-1370
FAX: (606) 523-1372

STATE OF KENTUCKY
COUNTY OF McCREARY

I, Jo Kidd, Clerk of the County and State aforesaid certify that the foregoing was lodged for record, whereupon the same, with the foregoing and this certificate have been recorded in my office, in LEASE Book No. 14 at page 300-302 Time 12:30 P.M. - 96
Witness my hand this 19th day of JULY, 19__

Jo Kidd County Clerk
BY: Jo Kidd D.C.

Feb-18-02 01:02P

MEMORANDUM OF LEASE

THIS MEMORANDUM, dated this 12 day of July, 1996 by
and between

LARRY LOUDERMILK, JR. and LORAINÉ LOUDERMILK, husband
and wife, with an address of P.O. Box 352, Whitley City, Kentucky
42653, and MARGARET SUE SMITH and her husband, EDWARD SMITH, with
an address of 1780 Mural Drive, Morrow, Georgia 30260,
(hereinafter referred to as "Lessors"), and

R.G. STEPHENS, INC., a Kentucky Corporation, with an
address of P.O. Box 369, Whitley City, Kentucky 42653
(hereinafter referred to as "Lessee"),

WITNESSETH: For the purpose of recording notice of the
existence of a lease by and between the parties hereto, the
Lessors and Lessee state that for a term of ninety nine (99)
years from and after July 1, 1996, the Lessors have leased to the
Lessee the following described real property located in McCreary
County, Kentucky, to-wit:

TRACT NO. 1:

Being located North of Whitley City and West
of New US Highway 27 in McCreary County,
Kentucky and containing 4 acres, more or less,
being all of the property conveyed to Larry
Loudermilk, Jr. and Margaret Sue Smith by deed
from Bernice Stephens, widow of S.M. Stephens,
dated November 2, 1984, recorded in Deed Book
105, Page 341, McCreary County Court Clerk's
Office. Reference is made to the deed for
description the same as if copied in full
herein.

TRACT NO. 2:

Being located in Whitley City, McCreary
County, Kentucky, north of the Whitley City
Depot and between the Southern Railway line
and New U.S. Highway 27, and containing 8
acres, more or less, being all the same
property conveyed to Larry Loudermilk, Jr. and
Margaret Sue Smith by deed from Bernice
Stephens, widow of S.M. Stephens, dated
December 31, 1984, recorded in Deed Book 105,
Page 330, McCreary County Court Clerk's
Office. Reference is made to the deed for
description of the same as if copied in full
herein.

IN TESTIMONY WHEREOF, WITNESS the signatures of the
parties this day and year first above written.

LESSORS:

Larry Loudermilk, Jr.
LARRY LOUDERMILK, JR.

Lorraine Loudermilk
LORAIN LOUDERMILK

Margaret Sue Smith
MARGARET(SUE SMITH

Edward Smith
EDWARD SMITH

LESSEE:

R.G. STEPHENS, INC.

BY: Phil Steph

ITS: Phil Steph

STATE OF KENTUCKY

COUNTY OF McCracken

I, Richard G. Stephens, the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 12th day of July, 1996, produced to me in said state and county and was then and there acknowledged before me by Larry Loudermilk, Jr. and Lorraine Loudermilk, parties thereto, to be his and her own voluntary act and deed.

My commission will expire: 4-01-00.

Richard G. Stephens
NOTARY PUBLIC/STATE AT LARGE

STATE OF Ky

COUNTY OF McCreary

I, Richard G. Stephens II, the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 12th day of July, 1996, produced to me in said state and county and was then and there acknowledged before me by Margaret Sue Smith and Edward Smith, parties thereto, to be her and his own voluntary act and deed.

My commission will expire: 4-01-00.

Richard G. Stephens II
NOTARY PUBLIC/STATE AT LARGE

STATE OF KENTUCKY

COUNTY OF McCreary

I, Richard G. Stephens II, the undersigned Notary Public in and for the state and county aforesaid, hereby certify that the foregoing instrument was on this 12th day of July, 1996, produced to me in said state and county and was then and there acknowledged before me by R.G. Stephens, Inc. by and through Richard Stephens, its President, to be the voluntary act and deed of said corporation.

My commission will expire: 4-01-00.

Richard G. Stephens II
NOTARY PUBLIC/STATE AT LARGE

THIS INSTRUMENT PREPARED BY:

Darrell L. Saunders
DARRELL L. SAUNDERS
ATTORNEY AT LAW
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
PHONE: (606) 523-1370
FAX: (606) 523-1372

STATE OF KENTUCKY
COUNTY OF McCREARY

I, Jo Kidd, Clerk of the County and State aforesaid, certify that the foregoing was lodged for record, whereupon the same, with the foregoing and this certificate have been duly recorded in my office, in LEASE Book No. 14 at page 303-305 Time 12:30 P.M. on the 19th day of JULY, 1996.
Witness my hand this 19th day of JULY, 1996.

JO KIDD, County Clerk
BY: Joyce Smith D.C.

General Underlying Assumptions

Legal Matters

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.

No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title.

The appraisers assume the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other government regulations.

Unapparent Conditions

The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. The appraisers are not experts in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, water, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property.

The appraisers assume no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substance or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

Information & Data

Information, estimates, and opinions furnished to the appraisers and contained in the reports, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.

Contingent and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Uniform Standards of Professional Appraisal Practice (USPAP).
8. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if the appraisal fee is paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, any state or federally approved financial institutions, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

Environmental Disclaimer

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

Certification

The appraiser certifies and agrees that:

1. The appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The appraiser has no personal interest in or bias in respect to the subject matter of the appraisal report or the participants to the sale. The "estimated of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the appraiser's knowledge and belief, all statements and information in this report is true and correct and the appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions Contained in the report).
5. This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), and is subject to, the requirements of the code of professional ethics and standards of the Uniform Standards of Professional Appraisal Practice (USPAP).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "review appraiser". No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.

The subject property is appraised as though under responsible ownership and competent management.

Zoning and Licenses:

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use have been stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.

It is assumed that all licenses, consents or other legislative or administrative authority from local, state, or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

General Limiting Conditions

The appraisers will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Any copy that does not have an original signature of the appraiser is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the Standards and Statements of the Uniform Standards of Professional Appraisal Practice (USPAP). Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, new media, sales media or any other public means of communication without the prior written consent and approval of the author.

The distribution of the total valuation in this report, between land and improvements, is applicable only as a part of the whole property. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.

No environmental or concurrent impact studies were either required or made in conjunction with the appraisal report. The appraisers, thereby, reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrent impact studies, research or investigation.

An appraisal related to an estate in land that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the large parcel or tract. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

The appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities. The plans, specifications, and representations referred to are an integral part of the appraisal report when new construction or new additions, renovations, refurbishing, or remodeling applies.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that

1. the equity case requirements of the sponsor have not been analyzed,
2. the loan ratio has not been suggested, and
3. the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Childers' Financial Services has no liability to the client/and or third parties.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general underlying assumptions and general limiting conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

Kentucky Real Estate Appraisers Board

2001-02

Hereby grants a *Certified General Real Property Appraiser Certificate* License N^o002271

To *Mark H. Vaught*
312 Crab Orchard Rd.
Somerset, KY 42503

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.



George K. Cox, Chairman
Judy Walters, V. Chairman
Jed Deters
Carol Dupont
Maxine Smith

Control N^o 13962

June 30, 2002

THIS CERTIFICATE EXPIRES

PERSONAL DATA

| | |
|--|--|
| Name of Appraiser <u>Mark H. Vaught</u> | PROFESSIONAL DESIGNATIONS (Include Year Earned) Certified Residential 1996 General Real Property 1999 |
| Firm Name <u>Childers Financial Services, Inc.</u> | |
| Business Address <u>205 Parkers Mill Road</u> | |
| Phone (606) <u>678-4956</u> Sec. Sec. No. _____ | |

MEMBERSHIPS

LIST MEMBERSHIPS IN PROFESSIONAL AND TECHNICAL ORGANIZATIONS RELATED TO YOUR CURRENT EMPLOYMENT ACTIVITIES, AND OFFICE(S) HELD.

EDUCATION

| FORMAL EDUCATION | | |
|---|------------------|-------------------------------|
| NAME OF INSTITUTION | DATES | TYPE OF DEGREE OR CERTIFICATE |
| <u>Somerset High School</u> | <u>1966-1979</u> | <u>Diploma</u> |
| <u>University of Kentucky</u> | <u>1981-1983</u> | |
| PROFESSIONAL AND TECHNICAL (APPRAISAL) COURSES SATISFACTORILY COMPLETED | | |
| COURSE TITLE | DATES | SPONSORING ORGANIZATION |
| <u>See Attached Transcript</u> | | |
| | | |
| | | |
| APPRAISAL CONFERENCES, SEMINARS, AND CLINICS ATTENDED DURING THE PAST THREE YEARS | | |
| ACTIVITY | DATES | SPONSORING ORGANIZATION |
| <u>1999 USPAP Update</u> | <u>Jan 1999</u> | <u>KREAB</u> |
| <u>1999-2000 Seminar</u> | <u>Feb 2000</u> | <u>KREAB</u> |
| <u>2000-2001 Seminar</u> | <u>Nov 2001</u> | <u>KREAB</u> |

EMPLOYMENT HISTORY

BEGINNING WITH PRESENT EMPLOYMENT, LIST CHRONOLOGICALLY ALL EMPLOYMENT RELATED TO APPRAISING FOR THE PAST FIVE YEARS

| NAME AND ADDRESS OF EMPLOYER (INDICATE IF SELF-EMPLOYED) | BUSINESS TITLE | PRINCIPAL DUTIES | DATES | % OF TIME DEVOTED TO APPRAISING |
|---|-----------------------------|---|---------------------|---------------------------------------|
| <u>Childers Financial Services, Inc.</u> | <u>Commercial Appraiser</u> | <u>Commercial & Residential App</u> | <u>1994-present</u> | <u>100</u> |
| <u>Frank Vaught, Engineers</u> | <u>Engineers Aide</u> | <u>Road Construction & Land Surveying</u> | <u>1979-1994</u> | <u>0</u> |

EXPERIENCE SUMMARY

GIVE APPROXIMATE NUMBER AND DOLLAR AMOUNT OF EACH DIFFERENT TYPE OF APPRAISAL REPORT PREPARED FOR CLIENTS, GOVERNMENTAL AGENCIES OR LENDERS IN THE PAST FIVE YEARS.

| TYPE | EXISTING CONSTRUCTION | | PROPOSED CONSTRUCTION | | TYPE | EXISTING CONSTRUCTION | | PROPOSED CONSTRUCTION | |
|-----------------------------------|-----------------------|------------|-----------------------|------------|-------------------------------------|-----------------------|--|-----------------------|------------|
| | | | | | | | | | |
| SINGLE FAMILY DETACHED DWELLINGS | | <u>250</u> | | <u>100</u> | APARTMENTS (21or more living units) | | | | |
| CONDOMINIUMS | | <u>10</u> | | | SUBDIVISIONS | | | | <u>15</u> |
| PLANNED UNIT DEVELOPMENTS | | | | <u>2</u> | COMMERCIAL | | | <u>275</u> | <u>150</u> |
| DWELLINGS (2 to 4 living units) | | <u>10</u> | | <u>15</u> | INDUSTRIAL | | | <u>40</u> | <u>25</u> |
| APARTMENTS (5 to 20 living units) | | <u>5</u> | | | LAND (finished lots, raw land) | | | <u>25</u> | |
| OTHER | | | | | OTHER | | | | |

GIVE NUMBERS OF APPRAISAL REPORTS PREPARED IN THE PAST TWO YEARS FOR THE FOLLOWING:

| | | |
|--|--------------------------------------|--|
| 1. INSTITUTIONAL INVESTORS <u>0</u> | 2. GOVERNMENTAL AGENCIES <u>1</u> | 3. PRIVATE MORTGAGE INSURERS <u>0</u> |
|--|--------------------------------------|--|

BRIEFLY DESCRIBE REVIEW APPRAISING EXPERIENCE.
None

APPRAISAL ACTIVITY AREA

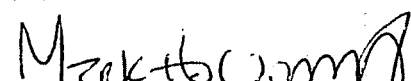
DEFINE THE AREA OF YOUR APPRAISAL ACTIVITY, LIST CITIES OR COUNTIES.
South Central Kentucky.

| MARKET AND COST DATA SOURCES | |
|--|-----|
| STATE SOURCES, TYPES AND AVAILABILITY OF DATA AND HOW MAINTAINED PVA Records, MLS-Where Available, & Real Estate Brokers are the sources of our information, with all data verified by deeds and grantors when possible, and maintained at our offices in files and computer databases. | |
| DO YOU USE LOCAL MLS DATA? | Yes |

| EXPERIENCE REFERENCES | |
|---|--|
| TO SUMMARIZE YOUR EXPERIENCE, LIST CLIENTS AND EMPLOYERS (MORTGAGE LENDERS, PRIVATE MORTGAGE INSURERS, SECONDARY MORTGAGE PURCHASERS, AND GOVERNMENTAL AGENCIES) THAT HAVE ACCEPTED YOUR APPRAISAL REPORTS AND MAY BE CONTACTED. PLEASE MAKE CERTAIN YOUR REFERENCE INFORMATION (ADDRESSES-TELEPHONE NUMBERS, ETC.) IS CURRENT. GIVE PRIORITY TO CLIENTS FOR WHICH YOU APPRAISED RESIDENTIAL PROPERTY FOR THE PURPOSE OF CONVENTIONAL MORTGAGE FINANCING. | |

| | | |
|--|---|--|
| 1 | NAME OF FIRM AREA Bank | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Bill Jasper | TITLE Senior Lending Officer |
| | STREET ADDRESS (City, State, Zip Code) 124 N Main Street Somerset, KY 42501 | AREA CODE & TELEPHONE NO. 606/679-4375 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial 1994-Present |
| 2 | NAME OF FIRM Monticello Banking Company | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Regina Brinson | TITLE Vice President |
| | STREET ADDRESS (City, State, Zip Code) PO Box 680 Somerset, KY 42502 | AREA CODE & TELEPHONE NO. 606/451-0833 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial Properties 1998-Present |
| 3 | NAME OF FIRM Bank of Mt. Vernon | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Ron White | TITLE Loan Officer |
| | STREET ADDRESS (City, State, Zip Code) 2070 S US 27 Somerset, KY 42501 | AREA CODE & TELEPHONE NO. 606/679-8826 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial 1997-Present |
| 4 | NAME OF FIRM Cumberland Security Bank | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Mark Ross | TITLE Vice President |
| | STREET ADDRESS (City, State, Zip Code) PO Box 70 Somerset, KY 42502 | AREA CODE & TELEPHONE NO. 606/679-8500 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial Properties 1997-Present |
| 5 | NAME OF FIRM Citizens Bank of Somerset | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Fred Aker | TITLE Vice President |
| | STREET ADDRESS (City, State, Zip Code) PO Box 760 Somerset, KY 42502 | AREA CODE & TELEPHONE NO. 606/679-6341 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial Properties 1996-Present |
| 6 | NAME OF FIRM Union Planters Bank | TYPE OF BUSINESS Bank |
| | PERSON TO CONTACT Jan Centers | TITLE Vice President |
| | STREET ADDRESS (City, State, Zip Code) PO Box 820 Somerset, KY 42502 | AREA CODE & TELEPHONE NO. 606/679-7451 |
| | | TYPE OF PROPERTY APPRAISED, DATE & VALIDATION Commercial Properties 1995-Present |
| (ATTACH ANY LETTERS OF REFERENCE OR OTHER PERTINENT EXHIBITS WHICH MAY FACILITATE APPOINTMENT) | | |

| MISCELLANEOUS | |
|---|--|
| STATE REAL ESTATE OR CONTRACTOR'S LICENSES CURRENTLY HELD | |
| ADDITIONAL PERTINENT INFORMATION Chairman, Pulaski County Board of Assessments, 1999-2002, Member, Somerset Board of Adjustments, Member Somerset Planning & Zoning, 1999-2003 | |

| APPRAISER'S STATEMENT | |
|--|--------------------------|
| THE FOREGOING IS TRUE TO THE BEST OF MY KNOWLEDGE AND BELIEF AND MAY BE INVESTIGATED THROUGH ANY OF THE SOURCES SHOWN HEREON OR THROUGH OTHER SOURCES, AS WARRANTED. | |
| SIGNATURE OF APPRAISER  | DATE 12/1/2000 |

WILSON EDUCATIONAL GROUP
TRANSCRIPT

School Number 1823

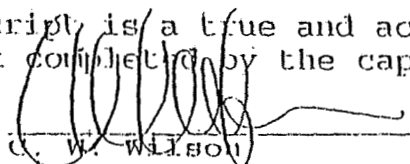
Mark H. Vaught SS1 400-06-2301
112 Crab Orchard Road Somerset, KY 42501

| G | Class Title | | Cert/Lic | ReCert | KREC | KREAB |
|----|---|------------------------|----------|--------|------|-------|
| 3 | HP12C/Methods and Mechanics 1/12/96 Through 1/13/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | | x |
| 64 | Non-Farm Income Properties 1/19/96 Through 1/20/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | | x |
| 0 | Uniform Standards 2/10/96 Through 2/11/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | | x |
| 10 | Basics of Rural Appraising 3/1/96 Through 3/2/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | x | x |
| 5 | The Cost Approach 3/3/96 Through 3/8/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | x | x |
| 52 | The Sales Comparison Approach 3/9/96 Through 3/10/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | x | x |
| 63 | MFR Case Study 3/15/96 Through 3/16/96 Harrodsburg Instructor C. W. Wilson | Hours-16 Grade-Pass | x | | | x |
| 50 | Principles and Law 3/22/96 Through 3/31/96 Harrodsburg Instructor C. W. Wilson | Hours-48 Grade-Pass | x | | x | x |

Total Hours Completed--208

Effective Date 03/27/97

I hereby certify that this Transcript is a true and accurate representation of the course work completed by the captioned student.


C. W. WILSON
WILSON EDUCATIONAL GROUP

03/27/97
Date

WILSON EDUCATIONAL GROUP
TRANSCRIPT

School Number 1823

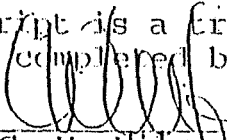
Mark H. Vaught SSI 400-06-2301
12 Crab Orchard Rd. Somerset, KY 42501

| EG | Class Title | Hours | Grade | Cert/Lic | ReCert | KREC | KREAB |
|-----|--|-------|-------|----------|--------|------|-------|
| 58 | Land Composite Analysis 1/24/97 through 1/25/97 Harrodsburg Instructor C.W. Wilson | 16 | Pass | X | | | X |
| 55 | Farm Income Capitalization 1/31/97 through 2/1/97 Harrodsburg Instructor C.W. Wilson | 16 | Pass | X | | | |
| 56B | Narrative Report Writing 2/14/97 through 2/14/97 Harrodsburg Instructor C.W. Wilson | 8 | Pass | X | | | X |
| 56A | Residential Report Writing 3/14/97 through 3/14/97 Harrodsburg Instructor C.W. Wilson | 8 | Pass | X | | | X |

Total Hours Completed--208

Effective Date 03/27/97

I hereby certify that this Transcript is a true and accurate representation of the course work completed by the captioned student.


C. W. Wilson
WILSON EDUCATIONAL GROUP

4/2/97
Date

BOARD LAND ACQUISITION COMMITTEE AGENDA

Chairman: Bill Shearer
Committee Members: Jerry Purcell
Glen Massengale
Allen Anderson

- 1) Review Consultant's report on land acquisition.
- 2) Decide if the present location at each District is adequate or if a new site is needed.
- 3) Decide an acreage minimum and maximum necessary for sufficient space 20 years into the future.
- 4) Look at site options in each District.
- 5) Decide if northern Pulaski or Casey/Lincoln site is needed as a 6th office.
- 6) Select land where needed for the future office location or expansion.
- 7) Check out land building suitability and also clear all legal concerns.
- 8) Determine market value of present facilities and plan for dispersal.
- 9) Get financing in order and notify regulatory agencies.
- 10) Prioritize order of purchases to best fit financial and operational objectives.
- 11) Make purchases

BOARD BUILDING COMMITTEE AGENDA

Chairman: Tom Estes
Committee Members: John Pruitt
Charles Gore
Allen Anderson

- 1) Select an architect.
- 2) Visit with employee groups.
- 3) Visit other Cooperative facilities.
- 4) Review consultant's (Mr. Cowan) study results.
- 5) Show architect sites being considered and determine how a new building would fit on land sites.
- 6) Determine design of new facilities or modification of existing facilities.
- 7) Determine market value of present facilities and plan for dispersal.
- 8) Get financing and regulatory requirements approvals.
- 9) Prioritize order of construction to best fit financial operational objectives.
- 10) Determine method of notifying the public of construction plans.
- 11) Selecting contractors and obtain bidding.
- 12) Select a building Construction Supervisor.
- 13) Appoint a Committee to work with on choices and section necessary as project progresses.

AA/cgw



United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D. C.
20250

October 1, 2003

Mr. Jeff Greer
Chief Financial Officer
South Kentucky RECC

Dear Jeff:

This is in response to your letter dated September 23, 2003. It is acceptable to lease property from a director as long as the lease is at least as long as the loan, 35 years, and RUS can obtain a lien on the facility.

Sincerely,

A handwritten signature in cursive script that reads "Mike Norman".

Mike Norman, RUS
Field Representative

6



09:00 PM 10/15/2003

Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
psc.ky.gov
(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

October 14, 2003

Mr. Jeff Greer
South Kentucky R.E.C.C.
Post Office Box 910
Somerset, KY 42502-0910

Dear Mr. Greer:

You have requested an opinion from the Public Service Commission regarding the lease of property controlled by South Kentucky R.E.C.C. Board President Rick Stephens. You represent in your September 23, 2003 letter that the R.E.C.C. is looking for a new site upon which to construct a new District Office in McCreary County. You further represent that, because the federal Government owns approximately 75 percent of the county's land mass, potential new sites for the district office are limited.

Property is available across the highway from the present district office. The property is controlled by South Kentucky Rural Electric's Board President, Rick Stephens, under a 99-year lease, and according to two independent appraisers, is available to South Kentucky R.E.C.C. for less than market value. Finally, you represent that the R.E.C.C. wishes to lease the land from the Board President for a term of 35 years and construct a new district office with RUS funds.

We do not believe that, under present PSC law, the lease requires prior approval. However, during any ratemaking proceeding, the transaction would be examined closely. If the transaction is determined to be a less-than-arms-length transaction, a portion of the expenses associated with it could be disallowed for ratemaking purposes.

A further consideration is whether the appearance of impropriety is so strong as to make the action questionable. This and other closely related ethical questions regarding the transaction are beyond the scope of this opinion and should be directed to counsel for the R.E.C.C.

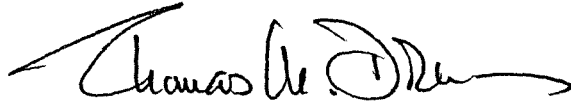


Mr. Jeff Greer
October 14, 2003
Page two

This letter constitutes an opinion of the Commission's Staff based upon the facts as presented in your letter. It is in no way binding upon the Commission if this or any similar issue arises in any proceeding before it.

If you have any further questions, please contact Rebecca Goodman of the Commission's Legal Staff at (502) 564-3940.

Sincerely,



Thomas M. Dorman
Executive Director



NOTICE OF FILING IN CORPORATE RECORD BOOK

The undersigned, Allen Anderson, Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation, hereby serves notice of the filing of the attached electronic mail messages received from all of the directors of the corporation, thereby constituting action by unanimous consent, approving the purchase of 4.33 acres of real property in McCreary County, Kentucky from LEL, Ltd. and authorizing the undersigned to close the transaction. The said electronic mail correspondence is certified to be included in the official records of the corporation.

DATED: this 31st day of December, 2003.



ALLEN ANDERSON, CHIEF EXECUTIVE
OFFICER

Allen Anderson

From: Charles Gore
Sent: Tuesday, December 30, 2003 9:25 PM
To: Allen Anderson; Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: RE: McCreary County Property official e-mail

Allen: As we discussed on the phone I will support this this option as all the red flags that were flying are all gone and this will be good for SK and the McCreary district office. I know you have worked very hard on this project and your hard work does not go unnoticed. *I vote in favor of this project and hope we can bring this part of our future to a close.*
Thanks, CGORE

From: Allen Anderson [mailto:eaanderson@skrecc.com]
Sent: Tuesday, December 30, 2003 6:43 PM
To: Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: McCreary County Property official e-mail

I have contacted all Directors and discussed the latest property options and prices in McCreary County. I explained to each of you that now we have learned that it is possible that the 4.33 acres where Bluegrass Mobile Homes is now located can be purchased from the owner of the property Larry Loudermilk. This is the fellow that Rick has his 99 year lease with. Mr. Loudermilk has agreed to buy out Rick's Lease and Make the Property available for SKRECC to purchase and own. His offer consist of trading our present property which is 3.318 acres by deed and more realistically 1.25 useable acres and \$360,000 to his 4.33 acres as surveyed and all is useable acres.

I will include a copy of a site lay out from CDS showing the 4.33 acres can work for our operation. We would have an opportunity to purchase about 2 more acres on the South West side of the property and 1.73 acres on the North West side. We have been trying to purchase property in this area for most of the year. I am convinced without any reservations that this is the best property for SKRECC considering location, price, environmental, and construction ready that we have found. The Land Committee also unanimously recommends the purchase of this piece of property and in exchange of ours. I have talked to all of you and everyone on the phone stated their big concerns were taken care of and for me to proceed ahead. I will sign deeds on behalf of South Kentucky RECC. According to Darrell I need an e-mail from all directors that you are in favor of the above course of action and you authorize me to proceed. With everyone's support expressed by e-mail, this will serve as an official meeting to transact this business. I encourage everyone's support on this land purchase from Mr. Loudermilk so we can move on with this project.

Thanks,

Allen

P.S. In the purchase agreement of this property we also retain the right to remain at our present site to operate for a period of one year free, but beginning January 2005 would start paying \$2000.00 per month up to one year. We would also get immediate possession of the new purchased property.

Allen Anderson

From: Bill Shearer
Sent: Tuesday, December 30, 2003 11:00 PM
To: Allen Anderson; Charles Gore; Glen Massengale; Jerry Purcell; John Pruitt; Rick Stephens; Tom Estes

Allen my vote is yes on the Whitley City property good work Bill

Allen Anderson

From: Glen Massengale

Sent: Thursday, January 08, 2004 11:15 AM

To: Jeff Greer; Allen Anderson; Carol Wright; Darrell Saunders; Tom Estes; Bill Shearer; Charles Gore; Glen Massengale; Jerry Purcell; John Pruitt; Rick Stephens

Subject: Property:

Allen I recommend that we buy the property agreeing to the terms you stated.

Glen

Allen Anderson

From: Glen Massengale

Sent: Wednesday, December 31, 2003 10:00 PM

To: Jeff Greer; Allen Anderson; Carol Wright; Darrell Saunders; Tom Estes; Bill Shearer; Charles Gore; Glen Massengale; Jerry Purcell; John Pruitt; Rick Stephens

Subject: Land purchase and Trading Land:

Allen, after you explaining the property that can be bought in McCreary County and the trading of SK land in the deal upon your recommendation I vote in favor of the purchase of the land.

Glen

Allen Anderson

From: Jerry Purcell
Sent: Tuesday, December 30, 2003 11:27 PM
To: Allen Anderson; Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: RE: McCreary County Property official e-mail

Allen in my opinion this is the best option we have had and probably will have so I agree we need to move forward on the 4.33 acres. My vote is to proceed on this tract from Mr. Loudermilk

Jerry

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

From: Allen Anderson [mailto:eaanderson@skrecc.com]
Sent: Tuesday, December 30, 2003 7:43 PM
To: Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: McCreary County Property official e-mail

I have contacted all Directors and discussed the latest property options and prices in McCreary County. I explained to each of you that now we have learned that it is possible that the 4.33 acres where Bluegrass Mobile Homes is now located can be purchased from the owner of the property Larry Loudermilk. This is the fellow that Rick has his 99 year lease with. Mr. Loudermilk has agreed to buy out Rick's Lease and Make the Property available for SKRECC to purchase and own. His offer consist of trading our present property which is 3.318 acres by deed and more realistically 1.25 useable acres and \$360,000 to his 4.33 acres as surveyed and all is useable acres.

I will include a copy of a site lay out from CDS showing the 4.33 acres can work for our operation. We would have an opportunity to purchase about 2 more acres on the South West side of the property and 1.73 acres on the North West side. We have been trying to purchase property in this area for most of the year. I am convinced without any reservations that this is the best property for SKRECC considering location, price, environmental, and construction ready that we have found. The Land Committee also unanimously recommends the purchase of this piece of property and in exchange of ours. I have talked to all of you and everyone on the phone stated their big concerns were taken care of and for me to proceed ahead. I will sign deeds on behalf of South Kentucky RECC. According to Darrell I need an e-mail from all directors that you are in favor of the above course of action and you authorize me to proceed. With everyone's support expressed by e-mail, this will serve as an official meeting to transact this business. I encourage everyone's support on this land purchase from Mr. Loudermilk so we can move on with this project.

Thanks,

Allen

P.S. In the purchase agreement of this property we also retain the right to remain at our present site to operate for a period of one year free, but beginning January 2005 would start paying \$2000.00 per month up to one year. We would also get immediate possession of the new purchased property.

Allen Anderson

From: John Pruitt
Sent: Tuesday, December 30, 2003 7:58 PM
To: Allen Anderson; Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: RE: McCreary County Property official e-mail

Allen

This looks like the best option for our members. We will own the property, it will hopefully relieve some pressure from Rick with the purchase being directly from the owner, it seems to definitely be the best property from both a location and construction readiness perspective, and finally it seems to be reasonably priced based on the market as well as providing the ability to go on and transfer the existing property for immediate value. I am in favor of proceeding.

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

From: Allen Anderson [mailto:eaanderson@skrecc.com]
Sent: Tuesday, December 30, 2003 7:43 PM
To: Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: McCreary County Property official e-mail

I have contacted all Directors and discussed the latest property options and prices in McCreary County. I explained to each of you that now we have learned that it is possible that the 4.33 acres where Bluegrass Mobile Homes is now located can be purchased from the owner of the property Larry Loudermilk. This is the fellow that Rick has his 99 year lease with. Mr. Loudermilk has agreed to buy out Rick's Lease and Make the Property available for SKRECC to purchase and own. His offer consist of trading our present property which is 3.318 acres by deed and more realistically 1.25 useable acres and \$360,000 to his 4.33 acres as surveyed and all is useable acres.

I will include a copy of a site lay out from CDS showing the 4.33 acres can work for our operation. We would have an opportunity to purchase about 2 more acres on the South West side of the property and 1.73 acres on the North West side. We have been trying to purchase property in this area for most of the year. I am convinced without any reservations that this is the best property for SKRECC considering location, price, environmental, and construction ready that we have found. The Land Committee also unanimously recommends the purchase of this piece of property and in exchange of ours. I have talked to all of you and everyone on the phone stated their big concerns were taken care of and for me to proceed ahead. I will sign deeds on behalf of South Kentucky RECC. According to Darrell I need an e-mail from all directors that you are in favor of the above course of action and you authorize me to proceed. With everyone's support expressed by e-mail, this will serve as an official meeting to transact this business. I encourage everyone's support on this land purchase from Mr. Loudermilk so we can move on with this project.

Thanks,

Allen

P.S. In the purchase agreement of this property we also retain the right to remain at our present site to operate for a period of one year free, but beginning January 2005 would start paying \$2000.00 per month up to one year. We would also get immediate possession of the new purchased property.

Allen Anderson

From: Tom Estes
Sent: Tuesday, December 30, 2003 8:55 PM
To: Allen Anderson; Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: RE: McCreary County Property official e-mail

Allen

The Whitley land proposal seems to be more favorable than the ones in the past. I like the idea of owning our own property.

Therefore I support the decision to make the transaction with Mr. Loudermilk.

Tom

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

From: Allen Anderson [mailto:eaanderson@skrecc.com]
Sent: Tuesday, December 30, 2003 7:43 PM
To: Directors&Attorney
Cc: Carol Wright; Jeff Greer
Subject: McCreary County Property official e-mail

I have contacted all Directors and discussed the latest property options and prices in McCreary County. I explained to each of you that now we have learned that it is possible that the 4.33 acres where Bluegrass Mobile Homes is now located can be purchased from the owner of the property Larry Loudermilk. This is the fellow that Rick has his 99 year lease with. Mr. Loudermilk has agreed to buy out Rick's Lease and Make the Property available for SKRECC to purchase and own. His offer consist of trading our present property which is 3.318 acres by deed and more realistically 1.25 useable acres and \$360,000 to his 4.33 acres as surveyed and all is useable acres.

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Thanks,

Allen

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Allen Anderson

From: Rick Stephens
Sent: Tuesday, December 30, 2003 7:51 PM
To: Allen Anderson
Subject: Re: McCreary County Property official e-mail

Allen
Yes
Rick

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

From: Allen Anderson
To: Directors&Attorney
Cc: Carol Wright ; Jeff Greer
Sent: Tuesday, December 30, 2003 7:42 PM
Subject: McCreary County Property official e-mail

I have contacted all Directors and discussed the latest property options and prices in McCreary County. I explained to each of you that now we have learned that it is possible that the 4.33 acres where Bluegrass Mobile Homes is now located can be purchased from the owner of the property Larry Loudermilk. This is the fellow that Rick has his 99 year lease with. Mr. Loudermilk has agreed to buy out Rick's Lease and Make the Property available for SKRECC to purchase and own. His offer consist of trading our present property which is 3.318 acres by deed and more realistically 1.25 useable acres and \$360,000 to his 4.33 acres as surveyed and all is useable acres.

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Thanks,

Allen

P.S. In the purchase agreement of this property we also retain the right to remain at our present site to operate for a period of one year free, but beginning January 2005 would start paying \$2000.00 per month up to one year. We would also get immediate possession of the new purchased property.

Allen Anderson

From: Darrell Saunders
Sent: Tuesday, February 24, 2004 9:56 AM
To: Allen Anderson
Subject: Authorization for Whitley City Purchase

Allen,

A proposed notice of filing follows. You should sign same and attach copies of the e-mail messages from all directors. It would also be helpful to include the next preceding e-mail from you if it more fully outlines the transaction. I do not recall. Please then see that all is included in the corporate minute book as action by the unanimous consent of the directors.

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