

Environmental Disclaimer

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

Appraiser Qualifications

Keith E. Mays, MAI

Certified General Real Estate Appraiser & Consultant

Employment

President; Atlantic Appraisal Company, Inc. of Lexington, Kentucky from March, 1990 to present.

Assistant Professor in Real Estate; Lexington Community College of University of Kentucky, 1991 to 1994

Senior Appraiser & Consultant; Realty Research Corporation of Lexington, Kentucky from April, 1989 to March, 1990.

Senior Appraiser & Consultant; Pinel & Carpenter, Inc. of Orlando, Florida from September, 1985 to April, 1989.

Education

University of Florida; Bachelor of Building Construction, College of Architecture, 1981

University of Kentucky; Specialized study in Real Estate Marketing, Economics, and Land Planning, 1976-1978

Completed the following courses under the American Institute of Real Estate Appraisers:

<i>American Institute of Real Estate Appraisers Courses</i>	
Course 623	Understanding Limited Appraisals – General (1994)
Course SPP-A	Standards of Professional Practice Update (1992)
Course SPP-B	Standards of Professional Practice Update (1992)
Course 10	Market Analysis in Valuation (1990)
Course SPP	Standards of Professional Practice (1988)
Course 2-2	Valuation Analysis and Report Writing (1987)
Course 2-1	Case Studies in Real Estate Valuation (1986)
Course 1-BB	Capitalization Theory and Techniques (1985)
Course 1-BA	Capitalization Theory and Techniques (1984)
Course 1-A2	Basic Valuation Procedures (1984)
Course 1-A1	Appraisal Principles (1983)

Successfully completed the Appraisal Institute's Comprehensive Exam (1989)

Completed the following course under the Society of Real Estate Appraisers:

<i>Society of Real Estate Appraisers Courses</i>	
Course 101	Introduction to Appraising Real Property (1983)

<i>Seminars Attended</i>	
WEG	National Uniform Standards (2003)
AI	Separating Real & Personal Property Assets (2002)
WEG	Uniform Standards of Professional Appraisal Practice Update (2000)
AI	Uniform Standards of Professional Appraisal Practice Update (1998)
AI	Litigation Skills for the Appraiser (1996)
AI	Valuation of Nursing Facilities Seminar (1996)
AI	Appraiser's Complete Review Seminar (1996)
AI	My Old KY Home Chapter Appraising for Litigation (1995)
AI	Cardinal Chapter (Ohio) Rates, Ratios and Reasonableness (1995)
AI	No. 31 Rural Valuation (1992)
AIREA	Chapter No. 31 Persuasive Report Writing (1989)
SREA Chapter No. 100	Financial Calculator Techniques(1983)
Florida D.O.T.	Construction Plan Reading(1983)

Professional Organizations/ Designations

Member Appraisal Institute No. 8385
Former Professional Member, National Council of Real Estate Investment Fiduciaries (NCREIF)
Former Director, Commercial Property Association of Lexington (CPAL)
Former Director, Commercial Investment Council, Lexington Area Board of Realtors
Past President, Bluegrass Chapter of the Appraisal Institute
Certified Kentucky General Real Estate Appraiser No. 828
Certified West Virginia General Real Estate Appraiser No. 143
Certified Ohio General Real Estate Appraiser No. 412770
Certified Michigan Real Estate Appraiser No. 1201005126
Licensed Kentucky Real Estate Broker
Realtor Member, National Association of Realtors
Realtor Member, Lexington Board of Realtors
Licensed Florida Real Estate Salesman

Licensed Florida Certified Class A General Contractor

Experience

A native of Lexington, Kentucky, Mr. Mays has, since 1983, served as a Real Estate Appraiser and Consultant to public or private clients in Alabama, California, Florida, Georgia, Indiana, Kentucky, Louisiana, Michigan, Nevada, North Carolina, Ohio, Ontario, Canada, Tennessee, Texas, Virginia and West Virginia. He has consulted or completed appraisals of most all types of real property including residential, multi-family, retail, commercial and industrial. Mr. Mays has had extensive experience with income producing and special purpose property. His background includes real estate brokerage as well as engineering and management of residential, commercial and industrial construction projects. Mr. Mays was a Project Engineer, Project Manager and Estimator with the Williams Company of Orlando, Florida from 1981 to 1983.

A partial list of clients served is provided in the following table.

ATT Capital Corporation	Istrouma Foundry & Machine Co.
Barnett Banks, Inc.	James Felt Real Estate Services of New York
Bank One, Lexington	Kentucky Association of Realtors
Blair Corporation Mortgage Co.	Kentucky Insurance Commissioner (Ky Central Life)
Bourbon Agricultural Bank	Kentucky Transportation Cabinet
CSX Transportation	L.W. Ellwood Company
Central Bank & Trust, Lexington	Landauer & Associates
Cygnus Industries	Liberty National Bank of Lexington
Citizens Fidelity Bank, Lexington	Liberty National Bank of Louisville
City of Orlando, Florida	Montgomery & Traders Bank
City of Lexington	Morgan Stanley Company
Community Bank, Lexington	National City Bank, Lexington
Federal Deposit Insurance Corporation	National Bank of Detroit
First Security National Bank	North Carolina National Bank
Florida Department of Transportation	Olympia and York Southeast
Florida Department of Natural Resources	PNC Bank
First National Bank of Woodford County	Pikeville National Bank
First National Bank of Jessamine County	Resolution Trust Corporation
Gentz Industries	United Bankcorp
Gramex Company	Vine Street Trust Company
Home Life Insurance Company of New York	Walt Disney Corporation

Tract in The Oaks Development Off Hwy 27 Whitley City, Kentucky

Allen Anderson
CEO
South Kentucky RECC
925 N Main Street
Somerset, Kentucky



COMPLETE APPRAISAL SUMMARY REPORT

Childers Financial
Services, Inc.
205 Parkers Mill Road
Somerset, Kentucky

Phone: 606/678-4956

Fax: 606/679-8742

E-Mail

cfsappraisers@earthlink.net

The following is a
Summary Report
of a
Complete Appraisal
of
Tract in the Oaks Development
for
South Kentucky RECC
Off Hwy 27
Whitley City, Kentucky
as of the
30th day of January 2002

CF

Appraisal Summary

Subject Address:..... The Oaks Development
City:..... Whitely City
County:..... McCreary
State:..... Kentucky
Zip Code:..... 42653

Fee Simple Value:..... \$ 150,000~0.74 acre \$210,000~1.24 acre
Expected Lease Payment\$ 1,250/month~0.74 acre \$1,800~1.24 acre

Client:..... Allen Anderson
CEO
South Kentucky RECC

Appraiser:..... Mark H. Vaught
Date of Appraised Value:... 30 January 2002
Final Estimate of Value:..\$ 150,000

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Childers' Financial Services, Inc.

205 Parkers Mill Road
Somerset, Kentucky 42501

Telephone 606/678-4956
Fax 606/679-8742
E-Mail cfsappraisers@earthlink.net

18 February 2002

Mr. Allen Anderson
Chief Executive Officer
South Kentucky Rural Electric Co-Operative Corp.
PO Box 910
925 N Main Street
Somerset, Kentucky 42503

RE: Tract in The Oaks Development
Off US Hwy. 27
Whitley City, KY 42653

Dear Allen:

In accordance with your request, I have personally visited the above referenced property on the 30th day of January 2002. The purpose of the site visit was to appraise the property in order to estimate the fair market value of the subject as though available for fee simple purchase as of the 30th day of January 2002. Two possible configurations was appraised. The first is a 0.74-acre tract with a value of:

One Hundred Fifty Thousand Dollars
(\$150,000)

and the other, the 0.74 acre tract with a 0.50 acre tract to the rear, or a total of 1.24-acre tract with a value of:

Two Hundred Ten Thousand Dollars
(\$210,000)

The following report represents, in detail, the appraisal and analysis of the data along with other materials upon which the estimate of value is predicated.

Respectfully submitted,



Mark H. Vaught
General Real Property
Appraiser # 2271

Appraisal Report

- I. Subject Property:** The subject property is an unimproved 1.24-acre tract of land on the west side of US 27. It is an outparcel in The Oaks Development. The tract contains 0.74 acres.
- II. Improvements:** Subject site is unimproved.
- III. Cost Approach:** Not Applicable
- IV. Income Approach:** Not Utilized
- V. 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 |
- VI. Final Estimate of Value:**
- | | |
|--|-----------|
| Fee Simple Value 0.74-acre tract: | \$150,000 |
| Fee Simple Value 1.24-acre tract: | \$210,000 |

VII. Date of Appraisal:

30 January 2002

**VIII. Type of Appraisal:
Type of Report:**

Complete Appraisal
Summary Appraisal Format

IX. Intended Use:

To determine the market value of the Fee Simple and Leasehold values of the tract for negotiation purposes.

X. Intended User:

Allen Anderson
CEO
South Kentucky Rural Electric Co-
operative Corporation
is the intended user specified in the report, along with any persons, consultants and/or state or federally instrumentality so entitled or with whom they wish to distribute the report to in the acquiring of the tract

XI. Appraisers:

Mark H. Vaught
Appraiser

Property Rights Appraised

The property rights herein appraised are leasehold interest. Fee simple ownership is defined as the best and highest level of ownership in real property. A Leasehold estate is the rights conveyed by the landlord (Loudermilk) to a tenants (R. G. Stephens, Inc.). One of the key values herein reported is based on the terms of the lease and the income stream that is produced by the lease. When such leases are in place, for a long term, the value of a property in regards to the leased fee estate is restricted basically to the income the lease produces.

The subject property is appraised assuming it to be free and clear with no encumbrances, encroachments, or restriction violations affecting the property. The subject area is in an area which is presently not zoned. The immediate area is moderately commercialized and the proposed use would compliment the neighborhood.

Scope of Appraisal

The scope of this appraisal will be to estimate the market value in an "as is " condition as of the date of site visit, the 30th of January 2002.

To reach this valuation, the scope includes the following.

1. A site visit of the property. We/I do not warrant the structural integrity of existing structure(s), but unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in good working order. It is assumed that all proposed structure(s) will be constructed in a manner to pass all necessary building codes.
2. A search of the public record relative to the subject. This search encompasses, among other things, tax and assessment information, easement(s), both private as well as public, deed restrictions, zoning, conditional uses, variances, history of the property, etc.
3. A summary of neighborhood and regional area characteristics.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public record for comparable sales and listings. Telephone verification, where possible, of all sales and listing with the buyer, seller or their representatives. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
6. The three recognized approaches to value, cost, Sales Comparison and Income, will be developed unless sufficient supporting data is not available or the nature of this assignment precluded application of any approach.
7. The preparation of a narrative appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser has met the competency provision as required by USPAP and is capable of completing the appraisal assignment competently.

The estimate of market value will be reported as a complete appraisal using a summary appraisal report as defined by the Uniform Standards of Professional Appraisal Practice (Standards Rule 2-2(b) of a complete or limited appraisal under Standard 1).

Purpose of the Appraisal & Definition of Market Value

The purpose of this appraisal is to estimate the market value of the subject property for negotiation purposes, for Allen Anderson, CEO, South Kentucky Rural Electric Co-Operative Corporation, as of the 30th day of January 2002. (This appraisal is completed following the guidelines of the Uniform Standards of Professional Appraisal Practice) For the purpose of this report, market value is defined as the most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised , and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered lay a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Statement of Limiting Conditions

Contingent And Limiting Conditions: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

- The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
- The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
- The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. The map can be found in the Site Analysis Chapter. **Because the appraiser is not a surveyor, he or she makes no guarantees, expressed or implied, regarding this determination.**
- The appraiser will not give testimony or appear in court because he made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
- The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the site visit to the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, expressed or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. **Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property. The appraisal is done under the assumption of no environmental contamination.**

- The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
- The appraiser has based his appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
- The appraiser must provide his prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

Appraiser's Certification

Appraiser's Certification: As required by Standards Rule 2-3
The Appraiser certifies and agrees that:

- I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
- I stated, in the appraisal report, only my own personal, impartial, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
- I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners of the subject property or of the present owners or occupants of the properties in the vicinity of the Subject property.
- I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
- I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
- I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing times of commercial properties in the Market Area.
- I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparable sales in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

- I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individuals and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.
- I have no bias with respect to the property that is subject of this report or to the parties involved with this assignment.

Appraiser:

Signature: Mark H. Vaught
Mark H. Vaught

Date Signed: 02-18-02

State Certification #: 2271

State: KY

Expiration Date of License: 6/30/02

Identification of Property

Owner: Larry Loudermilk, Jr. &
Loraine Loudermilk, his wife

Lessor: R. G. Stephens, Inc.

Lessor's Mailing Address: PO Box 369
Whitley City, 42653

Property's Postal Address: US 27
Whitley City, KY 42653

Person Contacted: Mr. Rick Stephens
Principal,
R. G. Stephens, Inc.

Date of Contact: 30 January 2002

**Sales History:
(3 Year Minimum)** The appraised parcel is not listed for sale. It is a portion of the lands leased to R. G. Stephens, Inc. by unrecorded lease dated the 1st day of July, 1996 by and between Larry Loudermilk, Jr. and Loraine Loudermilk, his wife. A Memorandum of Lease, dated the 12th day of July 1996, is recorded in

Lease Book 14 Page 300. The term of the lease is 99 years.

This being a part of the lands conveyed to Larry Loudermilk, Jr. by Deed dated the 1st of October, 1983, by and between Bernice Stephens, a widow, and of record in Deed Book 104 Page 077.

All deeds and memorandum of leases referenced above are located in the McCreary County Court Clerks Office, Kentucky.

Assessed Value:

Not Assessed for 2001

Zoning:

None

Census Tract:

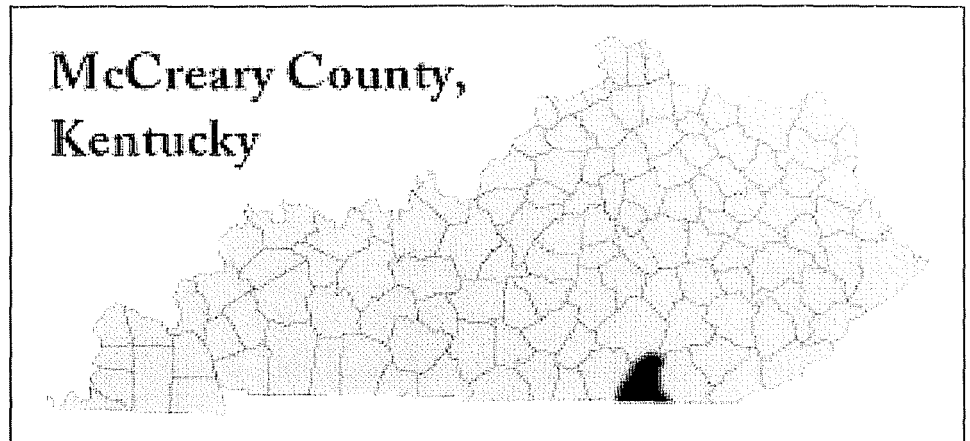
9603.00

Map Reference:

147-McCreary County

McCreary County

covers a land area of 427 square miles in the Eastern Coal Fields Region of Kentucky. The county is situated in the southern portion of the Daniel Boone



National Forest. According the federal forest service, 10 million board feet of lumber will be produced in McCreary County in 1990. McCreary County had an estimated population of 16,100 persons in 1988. Whitley City, the county seat, is located 92 miles northwest of Knoxville, Tennessee; 161 miles southeast of Louisville, Kentucky; 107 miles south of Lexington; and 186 miles south of Cincinnati, Ohio. Stearns is approximately three miles south of Whitley City, and Pine Knot is approximately five miles south of Whitley City.

The Economic Framework - The total number of McCreary County residents employed in 1989 averaged 3,415. In 1988, manufacturing firms in the county reported 473 employees; wholesale and retail trade provided 319 jobs; 185 people were employed in service occupations; state and local government accounted for 564 employees; contract construction firms provided 46 jobs; and 63 people were employed by mining and quarrying operations.

Labor Supply - There is a current estimated labor supply of 32,464 persons available for industrial jobs in the labor market area. In addition, from 1990 through 1994, 12,288 young persons in the area will become 18 years of age and potentially available for industrial jobs.

Transportation - Whitley City and Pine Knot are directly served by US Highway 27. Stearns, which is served by KY Highway 92 and 1651, is located one mile from US 27. Interstate 75 can be accessed 21 miles east of Pine Knot via KY 92. The Cumberland Parkway is located 31 miles north

of Whitley City via US 27. Eleven common carrier trucking companies provide interstate and/or intrastate service to McCreary County. The Norfolk Southern Corporation provides rail service to McCreary County. Stearns is also served by the Kentucky and Tennessee Railway. The nearest scheduled commercial airline service is available at McGhee Tyson Airport in Knoxville, Tennessee, 102 miles southeast of Whitley City, and at Bluegrass Airport near Lexington, Kentucky, 110 miles north of Whitley City. The McCreary County Airport, located four miles northeast of Pine Knot, provides facilities for small aircraft.

Power and Fuel - Kentucky Utilities Company provides electricity to Whitley City, Stearns and Pine Knot, in addition to a small portion of McCreary County. A major portion of the county is served by South Kentucky Rural Electric Cooperative, whose source of power is East Kentucky Power Cooperative. The Cumberland Valley Rural Electric Cooperative Corporation also serves a small portion of southeastern McCreary County. Natural gas is not currently available in McCreary County.

Education - Primary and secondary education is provided by the McCreary County School System. Thirteen institutions of higher learning are located within 95 miles of Whitley City. Vocational training is available at the Somerset State Vocational-Technical School at Somerset, 31 miles north of Whitley City. The nearest Area Vocational Education Center is located in Monticello, 32 miles west of Whitley City. In addition, the Pine Knot Civilian Conservation Center, a unit of the Job Corps training program, is located in Pine Knot.

Highways - Whitley City and Pine Knot are served directly by US 27 a "AAA"-rated (80,000-pound gross load limit) trucking highway. Stearns, which is served by KY 92, a "AA"-rated (62,000-pound gross load limit) trucking highway is located one mile from US 27. Interstate 75 is accessible 21 miles east of Pine Knot via KY 92. The Cumberland Parkway, an east-west toll road, is located 31 miles north of Whitley City via US 27.

Truck Service - Eleven trucking companies provided interstate and/or intrastate trucking

service to Whitley City. One trucking firm specializes in heavy equipment hauling.

Rail - Main line rail service is provided to Whitley City, Stearns, and Pine Knot by Norfolk Southern Corporation. Stearns is also served by Kentucky and Tennessee Railway. The nearest piggyback facilities area maintained by Norfolk Southern at Knoxville, 92 miles south of Whitley City.

Air - The McCreary County Airport Board recently received \$275,000 from the Kentucky Office of Aeronautics to pave the runway and taxi way and construct aprons for 11 tiedowns. Plans to construct an administration buildings have also been made. The nearest scheduled commercial airline service is located at McGhee Tyson Airport, 102 miles southeast of Whitley City, in Knoxville, Tennessee, and at Bluegrass Airport, 110 miles north of Whitley City, in Lexington, Kentucky.

Electricity - McCreary County electrical service is provided by Kentucky Utilities Company and South Kentucky Rural Electric Cooperative Corporation. There is also a small portion of southeastern McCreary County served by Cumberland Valley Rural Electric Cooperative Corporation.

Natural Gas - Natural Gas service is available in portions of McCreary County. IT is provided by Citipower, LLC.

Water - The McCreary County Water District is currently implementing improvement projects at the filtration plant which will increase McCreary County's water treatment capacity to 1.5 million gallons per day.

Sewerage – Sanitary Sewage is available to portions of McCreary County. The McCreary County Water District oversees the operation of the sewage treatment plant and the extension of the lines.

Local Government - The communities of Whitley City, Stearns, and Pine Knot are unincorporated urban areas. McCreary County is served by a county judge/executive and four magistrates, all of which are elected to four-year terms.

There is no planning and zoning commission in McCreary County at the present time.

State and Local Property Taxes - All property in Kentucky, except items exempted by the

state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and schools districts.

All property in Kentucky is assessed at 100 percent of cash value.

Education - There are thirteen (13) institutions of higher learning are located within 95 miles of Whitley City. Several college level courses, such as Business, English, Math, Computers and Economics, are held in McCreary County through an off campus program of the Somerset Community College. Approximately 500 McCreary County residents are enrolled in these classes which are held at McCreary County Central High Schools and Whitley City Middle School.

McCreary County officials have begun an application process to the University of Kentucky Community College System to establish a satellite of the Somerset Community College in McCreary County.

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from the entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is the primary source for skills training assistance for a

new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

Other Local Facilities - There are seven (7) physicians with practices located in McCreary County. There are also four (4) dentists. The nearest hospital facilities are Columbia Regional Hospital, located 31 miles north of Whitley City in Somerset, and Scott County Hospital, located 20 miles south of Whitley City, in Oneida, Tennessee. Other medical facilities and services include Winchester, Patton and Burgess Professional Service Corporation, McCreary Christian Care Center, McCreary County Health Center, McCreary County Ambulance Service, Cumberland Manor Rest Home, Inc., and McCreary County Health Care Facility.

Banking services are provided by the Bank of McCreary County and McCreary National Bank. The McCreary County Record is the local newspaper. Telephone service is furnished by Highland Telephone Cooperative, Inc.

Recreation - Recreational opportunities abound throughout McCreary County, ranging from indoor activities to rugged outdoor adventures. The McCreary County Park, just south of Whitley City, offers a swimming pool, three baseball/softball fields, two basketball courts, a picnic area, a shelter, a children's playground, hiking and fitness trails, and a community building.

The 4-H Camp, in eastern McCreary County, has an overnight lodge, a horse show ring and a picnic shelter.

The Stearns Golf Course is a semi-private, nine-hole golf course with a swimming pool and lighted tennis court on the premises. The Stearns Golf Course is rated among the best nine-hole golf courses in the southeastern United States by the Professional Golfers' Association of America. Limited food facilities are also available.

Recreational facilities at McCreary County schools include baseball fields, a football field, track and gymnasiums.

Supervised recreational programs include T-Ball, Babe Ruth League, church league, Little League basketball and adult league softball.

Privately owned recreational facilities for miniature golf, roller skating and archery are also located in the area.

McCreary County is located in the southern portion of the Daniel Boone National Forest, a rugged 640,000 acre timberland stretching throughout east central Kentucky.

Scenic and recreational sites within 20 miles of Whitley City include Natural Arch Picnic and Scenic Area with a limestone arch, trails and sheltered picnic facilities; Sawyer Campground, featuring picnic areas and a boat launching ramp of Lake Cumberland; Yahoo Falls Picnic Area, with a shelter house, trails and rugged scenic view of a 113-foot waterfall; Alum Ford, a camping and boat launching area; Great Meadow Camping Area; Hemlock Grove with a picnic area and trout stream; Bell Farm Hunter and Horse Camp Site; Apple Tree Rifle Range; Barren Fork Primitive Camping Area; and Sheltoewe Trace Natural Recreation Trail.

The Big South Fork National River and Recreation Area was developed by the US Army Corps of Engineers in cooperation with the National Park Service. The "National Area" is located along the Big South Fork of the Cumberland River from Whitley City in Kentucky, south to Oneida in Tennessee. Recreational opportunities in this rugged scenic area include whitewater rafting, canoeing, kayaking, camping, hiking, horse back riding and picnicking.

The Blue Heron Recreation Area, a restored mining camp, has been completed by the Corps of Engineers and is operated by the National Park Service. The interpretive exhibits provide visitors with an opportunity to witness life as it would have been when the mining camp operated on the banks of the Big South Fork of the Cumberland River. A campground, scenic overlooks and hiking trails are also located in this area.

The Big South Fork Scenic Railway offers a chance to see part of the rugged Cumberland River area by rail. The train operates on a regular schedule between Stearns and the Blue Heron

Recreation Area within the Big South Fork National River and Recreation area, a distance of about six miles in each direction.

Cumberland Falls State Resort Park is located 20 miles northeast of Whitley City near Corbin in the Daniel Boone National Forest. The park is famous for Cumberland Falls which drops 68 feet over a rock precipice and shows one of only two known "moonbows" in the world at full moon. The park offers 73 lodge rooms, woodland suites, 25 cottages, a convention center, camping, fishing, swimming, hiking, horseback riding, picnicking, tennis, backpacking, a nature center, shuffleboard, planned, recreation, a playground, a gift shop, and an amphitheater.

Lake Cumberland, accessible 23 miles north of Whitley City, is one of the nation's most productive fishing lakes with excellent bass, bluegill and crapping fishing. Covering of 50,000 acres, with over 1,200 miles of shoreline, the lake is well known for its scenic beauty amid the surrounding palisades and woodlands.

Community Improvements - The most significant activity in McCreary County involves the developments of the Blue Heron Recreation Area within the Big South Fork River and recreation area and the opening of the Stearns Museum. The US Corps of Engineers recently completed the construction of the Blue Heron Recreation Area which will be maintained by the National Park Service. The \$13.5 million project includes a reconstructed coal mining town with interpretive exhibits, related overlooks, trails, campground and roads. The McCreary County Heritage Foundation invested approximately \$120,000 in the Stearns Museum which exhibits memorabilia from the Stearns Coal and Lumber Company and McCreary County. In addition, downtown Stearns was recently placed on the National Register of Historic Places.

The final section of US 27 to be constructed was completed in the spring of 1990. Kentucky Highway 2279, providing access from US 27 to Stearns, was completed in the fall of 1989 and is to be renumbered as Kentucky Highway 92.

A sixty-bed nursing home facility was opened in Pine Knot in 1990. The McCreary County

Health Care Facility has 20 intermediate care beds and 40 skilled nursing beds.

The Highland Telephone Cooperative, Inc. has recently completed extensive improvements in the Stearns and Pine Knot areas. Telecommunication services were greatly enhanced by the project.

The McCreary County Airport Board recently received a \$275,000 grant from the Kentucky Office of Aeronautics to pave a 3,000 foot runway and taxiway and to construct an apron for 11 tiedowns. This project is expected to be completed in 1991. The Airport Board plans to apply for an additional matching funds grant to construct a hangar and an administration building. The \$100,000 grant would require the Airport Board to acquire \$50,000 in matching funds.

The McCreary County Water District is currently undergoing a line extension project which will add approximately 130 residential customers. A 50,000 gallon elevated tank will also be constructed. The \$1.9 million project is the first phase in a series of improvements to be implemented throughout the system. Phase II of the project will consist of the installation of a 10-inch line of the filtration plant. Proposed improvements to the water treatment plant include the addition of two new filters and a claricone, and additional improvements which will increase the plant's treatment capacity to 1.5 million gallons per day.

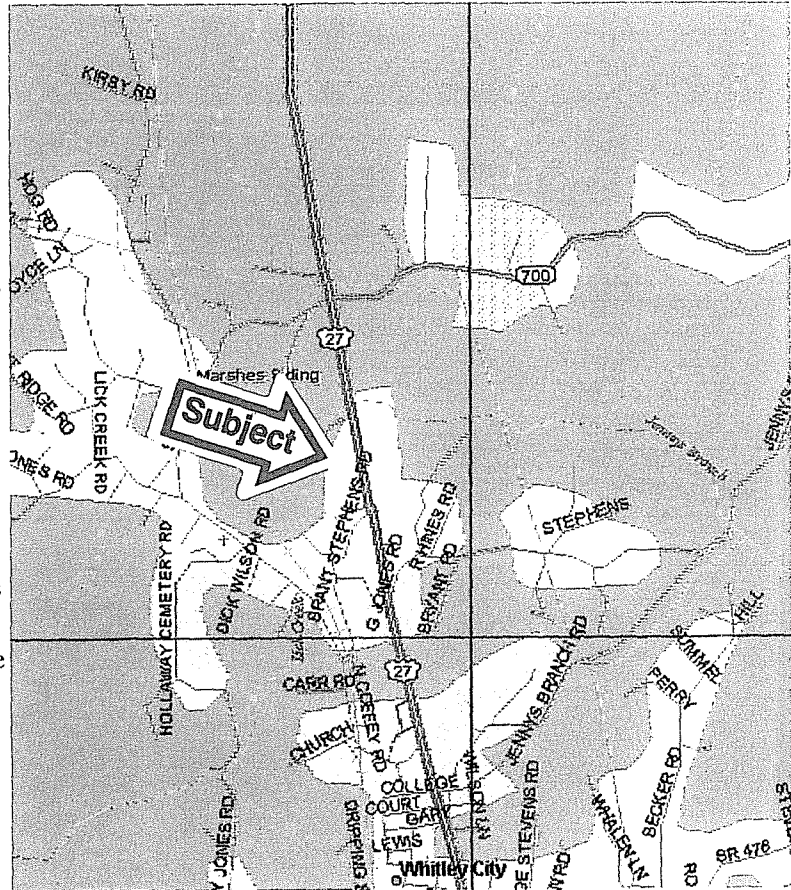
McCreary County has extended sewer lines to serve Whitley City, Stearns, Marshes Siding, and Pine Knot. Natural Gas lines are also being extended to these communities.

A new county health department is currently planned for Whitley City. The county plans to invest approximately \$625,000 in the project.

Neighborhood Analysis

The subject neighborhood is that area along US 27, from its intersection with George Jones Road, north to its intersection with Hwy. 700. The subject would be in the middle portion of the subject neighborhood. The subject neighborhood is located in the middle section of McCreary County, in Whitley City, Kentucky.

The area is highly commercial with some light residential influences. Located in the Whitley City Community are the main branches of the county banks, Krogers U-Save Grocery, doctors offices, several convenient style businesses, service stations, and several retail stores. It is considered the main commercial zone for the county. The neighborhood is convenient to or contains schools, shopping, and employment centers.



The neighborhood has public water and sanitary sewage provided by the McCreary Water District and electrical power provide by Kentucky Utilities. Highland Phone Service provides phone service. Citipower, LLC, provides natural gas. This section of 27 has the highest traffic counts within the county.

There are no known or apparent adverse conditions in the neighborhood at the present time.

The site has good access to US 27. US 27 is the County's major north-south artery, linking McCreary County with Pulaski County, Lexington and Interstate 75 to the north and Oneida and Knoxville to the south.

Site:

The site is an unimproved tract of land west of US 27, adjacent to The Oaks Shopping Center. The tract contains approximately 1.24 acres. The tract has 364 feet of road frontage along the north property line, 144 feet of road frontage along the east property line and 364 south feet of



Street Scene

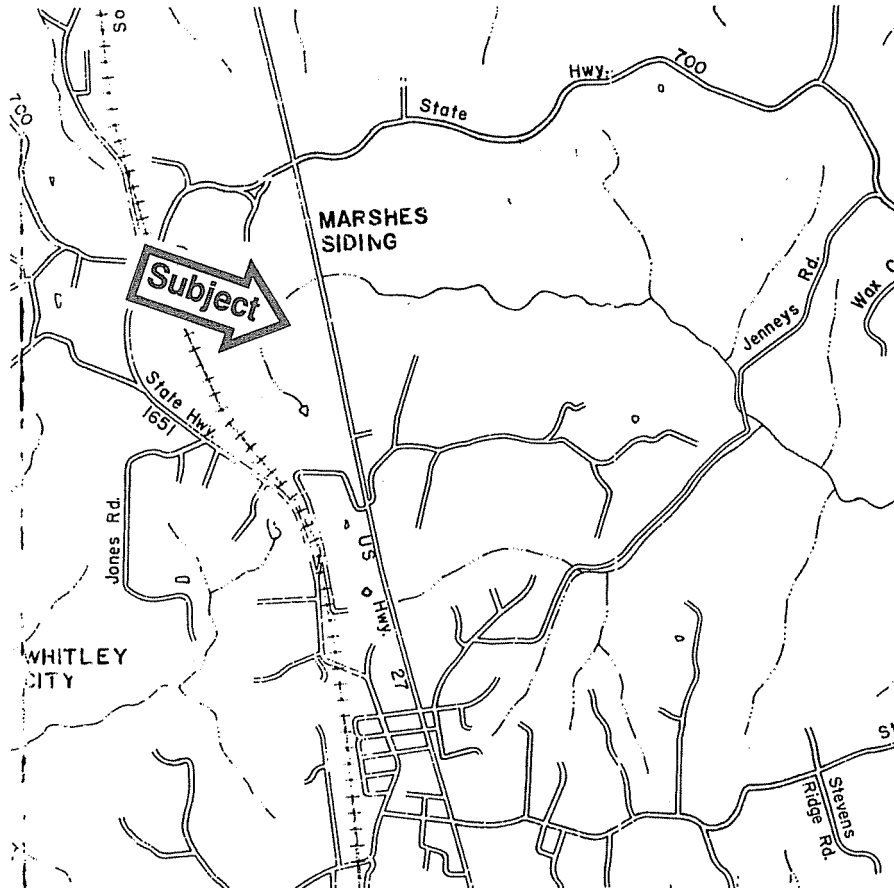
road frontage along the south property line. The road along the west property line will not be constructed east and north property lines. The

frontage roads will converge and intersect at the southeast corner of the tract, and will exit onto US 27 150-200 feet from this intersection. The development will have two entrances/exits onto S US 27. Visibility is good along US 27, so ingress and egress are not problems. The site is slightly above the road level of US 27, and has topography that would be classified as level-slightly roll. US 27 is maintained by the Commonwealth of Kentucky. There are no streetlights, storm sewers or sidewalks along US 27.

The legal description is not available as of the date of the site visit. The parent tract's legal description is located in the addendum.

FEMA Flood Insurance Rate Map

The subject site is located in Zone C of the Federal Emergency Management Agency Flood Insurance Rate Map for Community 210343 Panel Number 0004 A dated 11-25-77. Zone C is a zone of no flooding or minimal flooding.



FLOOD HAZARD BOUNDARY MAP

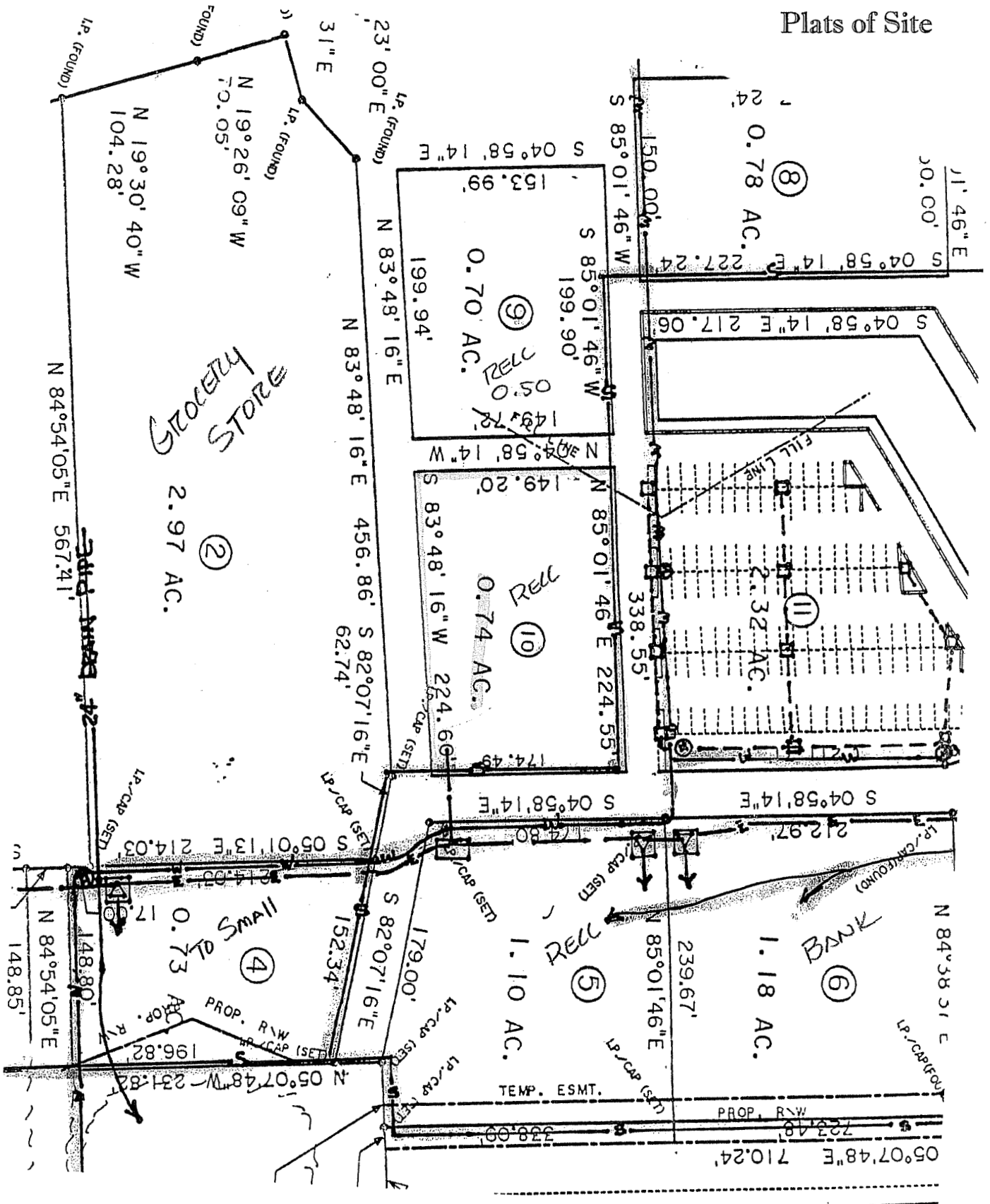
MC CREARY COUNTY
KENTUCKY
UNINC. AREAS
PAGE 4 OF 7
(SEE MAP INDEX FOR PAGES NOT PRINTED)

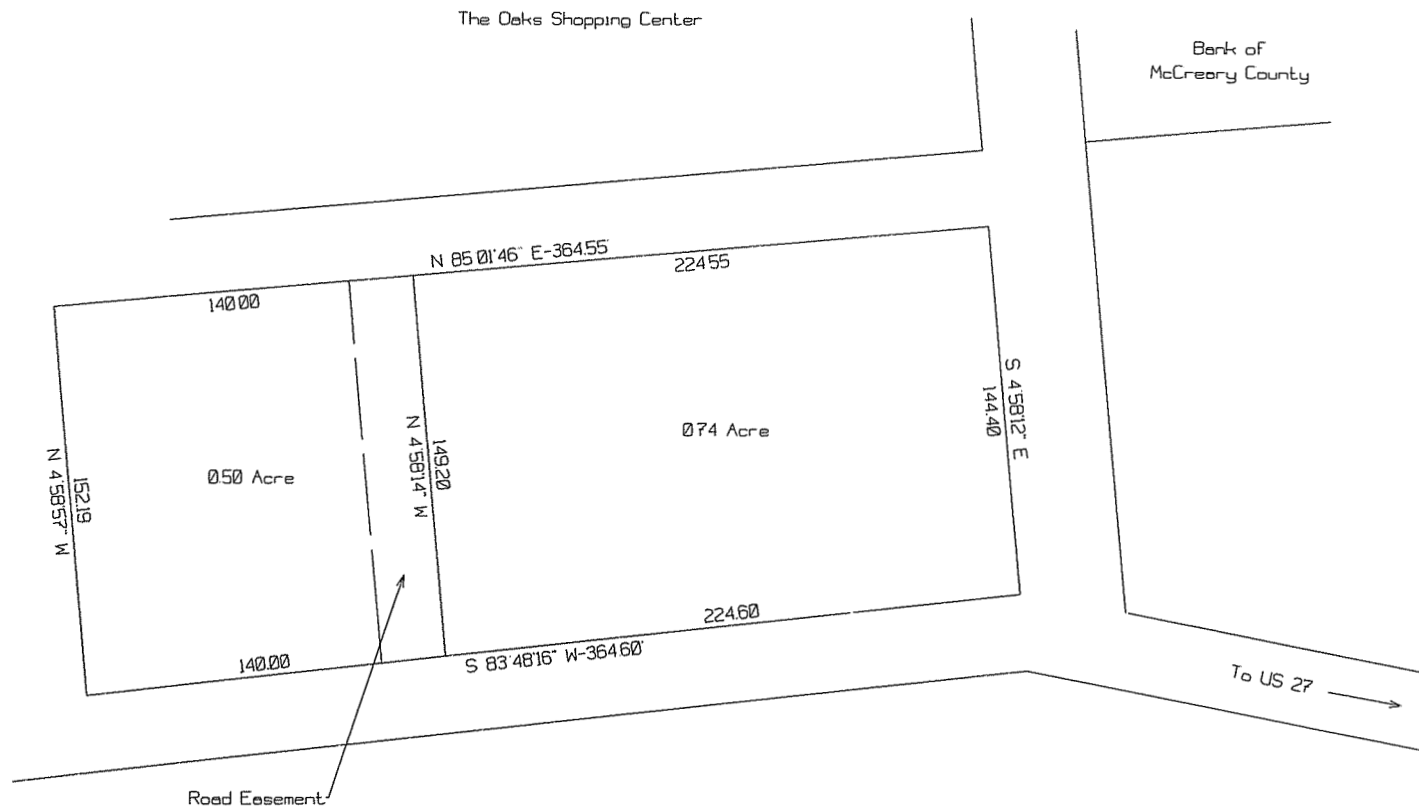
EFFECTIVE DATE:
NOVEMBER 26, 1977

COMMUNITY—PANEL NUMBER
210343 0004 A

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
FEDERAL INSURANCE ADMINISTRATION

Plats of Site





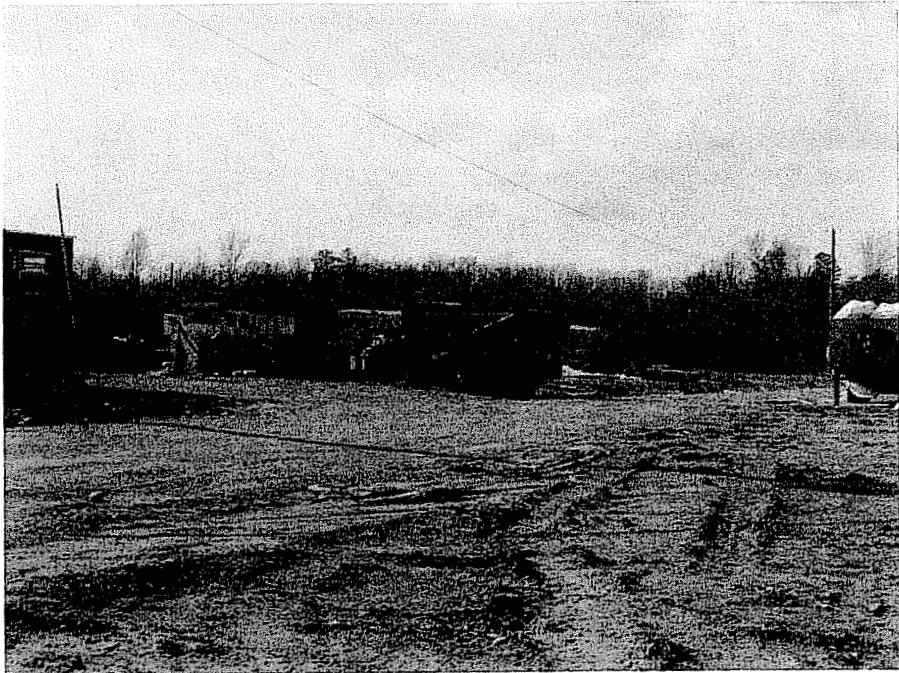
Improvements:

The subject site is unimproved

The site has all the public utilities. South Kentucky Rural Electric Co-operative Corporation provides electrical service. The McCreary County Water District provides public sewage and water. Natural Gas is provided by Citipower, LLC. Charter Communication provides the cable television service to the neighborhood and Highland Co-Operative provides the local telephone service.

The subject is appraised in an "as is " condition as of the date of the site visit, 30 January 2002.

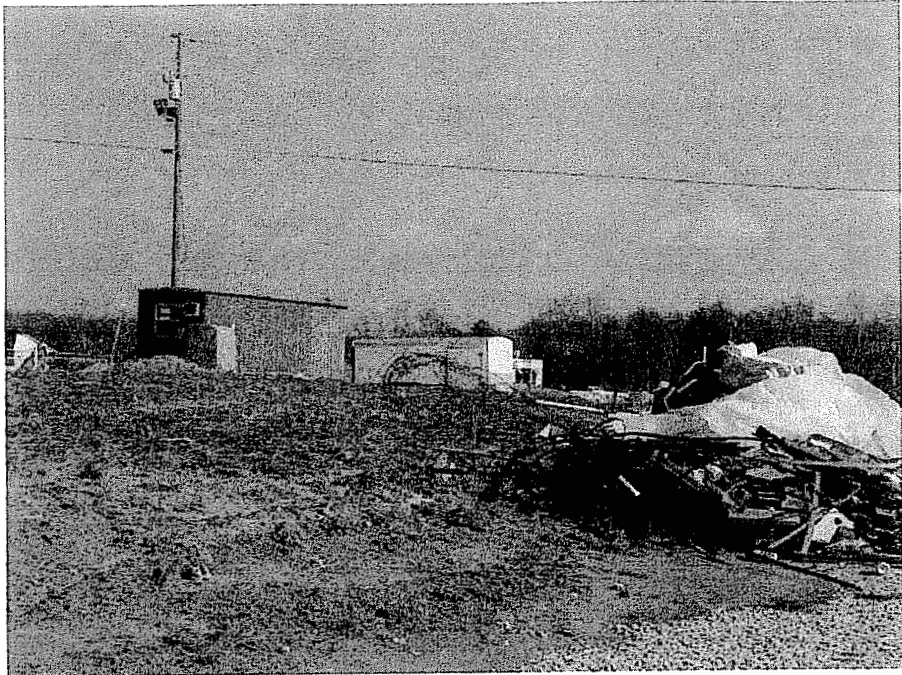
Site from East (Front)



Site from North



Site from West (Rear)



Site from South



Highest and Best Use

One of the major objectives of property analysis is to develop a conclusion about the highest and best, or most probable, use of the site and of the improved property. The information gathered and analyzed is all oriented toward that objective. Highest and best use is "that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal". The highest and best use in the context of market value is the most probable use. Both the site and the improved property have a highest and best use at any given point in time. The highest and best use of the improved property may or may not be the same as the highest and best use of the site.

These definitions imply that ".....the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e. that the use determined from analysis represents an opinion, not a fact to be found."

Highest and best use must be reasonable, probable, and proximate (likely to occur soon, if not immediately). It is not speculative or conjectural. It may or may not be the present use of either the site or the improved property.

Highest and best use can change over time as external market forces change. These forces include effective demand and all its components, public tastes and standards, land use regulations (especially zoning), and competition. In addition, the character of the subject property itself may change, thereby changing its highest and best use. This is why highest and best use is always estimated as of the valuation date. In some instances, highest and best use may anticipate the market, provided the conclusion is reasonable, probable, and proximate.

A property must have utility, reflected through market demand, to have a market function. Function, in turn, determines use, and use is a major determinant of value in the context of existing current market forces. Since market value is always the highest price that an informed and prudent

purchaser would pay, the uses in terms of which market value is estimated is highest and best use.

In estimating highest and best use following property analysis, the appraiser goes through four considerations, which have been referred to:

1. POSSIBLE use (physical): What uses are physically possible on the subject site or in the subject improvements, given the physical characteristics revealed by property analysis?
2. PERMISSIBLE use (Legal): What uses are permitted under existing zoning and other land use regulations and controls, and under existing deed restrictions, for the subject property?
3. FEASIBLE use (Appropriate use): Among legally permitted and physically possible uses for the subject property, which are appropriate, given the characteristics revealed by market, neighborhood, and property analysis? Which uses produce any net return to the owner, or a positive net present value?
4. HIGHEST AND BEST use: Among appropriate or feasible uses for the subject property, which will produce the highest present value.

Present use of the property may differ from highest and best use of the site: "The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

The highest and best use of the subject site is a retail establishment., due to site size, location, and utility availability. Its proposed use would be acceptable as highest and best use.

Value Estimation as a Forecast

Because value is the present worth of anticipated future benefits or income, the appraiser's task is to forecast the benefits and amenities that will be produced by the realty being appraised over its remaining economic life. Then the appraiser must forecast the manner in which the typical, informed purchaser will react to these anticipated future benefits. Real estate appraisal is always forward-looking from the date on which the value estimate is made, whenever that may be.

Forecasting involves making an estimate of future happenings or conditions. It consists of estimating what will most probably happen in the future, based in part on trends in the recent past, but tempered with analytical judgment. The appraiser making an estimate of value is, in fact, making a forecast of what will probably occur under stipulated market conditions. Prediction involves foretelling the future with an applied degree of accuracy or precision that is beyond the capacity of the appraiser. An estimate of value is simply that---an estimate. The appraiser has no mystic or occult powers to foresee the future with certainty.

Projection is a mechanical process of extrapolation or extending the experience of the past into the future via a mechanical formula. This may be simple straight-line projection or it may be based on a more complex formula. In either event, it is based on the presumption that the market will support the projections or forecasts.

Methods of Appraisal

There are generally three accepted approaches to market value. The cost approach or summation approach, which includes the valuation of raw land by comparison with recent sales of similar tracts being vacant plus the depreciated replacement cost of all improvements. The sales comparison approach, which is the process of comparing recent sales of similar properties to that of the subject, making adjustment for measurable differences. The income approach, which is based upon the premise that the income stream that a property is able to produce, when capitalized, will give a direct indication of a properties value.

In this report, the sales comparison approach is the only one utilized due the nature of the appraised parcel (vacant land). The market has been analyzed to provide an adjusted comparison of sales of this type of property. The market data approach is relied upon to give a fair indication of the subject.

Land Valuation

In order to estimate the market value of the subject's 1.24-acres, a comparison has been made of recent sales of vacant land within the market area. Recent and similar sales were found and verified. The analysis of the site data has included consideration of various dissimilar features that influence value; such as size, location, physical utility and development potential of the sales presented. The following comparable sales are considered based on their comparative attributes of the subject. No time adjustments for data of sales are made as no appreciation can be abstracted from the marketplace.

Adjustments for cash equivalency are not required on any of the land sales. Purchasers typically have cash for the land or incorporate the land cost in their construction loans. Owner financing is not typical for these types of properties.

Sales Comparison Approach (Land)-Sale # 1

Grantor: Joe Jackson and
Gladys Jackson, his wife

Grantee: Shelva J. Jones

Date of Sale: 4/20/99

Sales Price: \$125,000

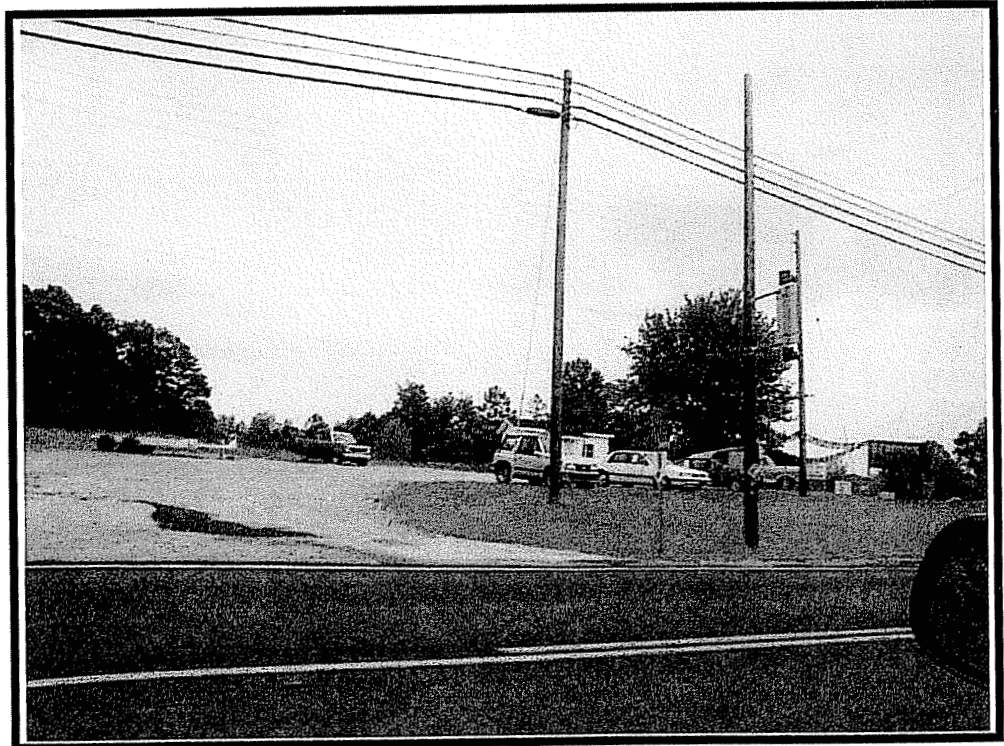
Size of Tract: 0.236 Acres

\$/Acre: \$529,661/acre

Location: S US 27 & KY 92
Pine Knot, KY
4-5 miles south

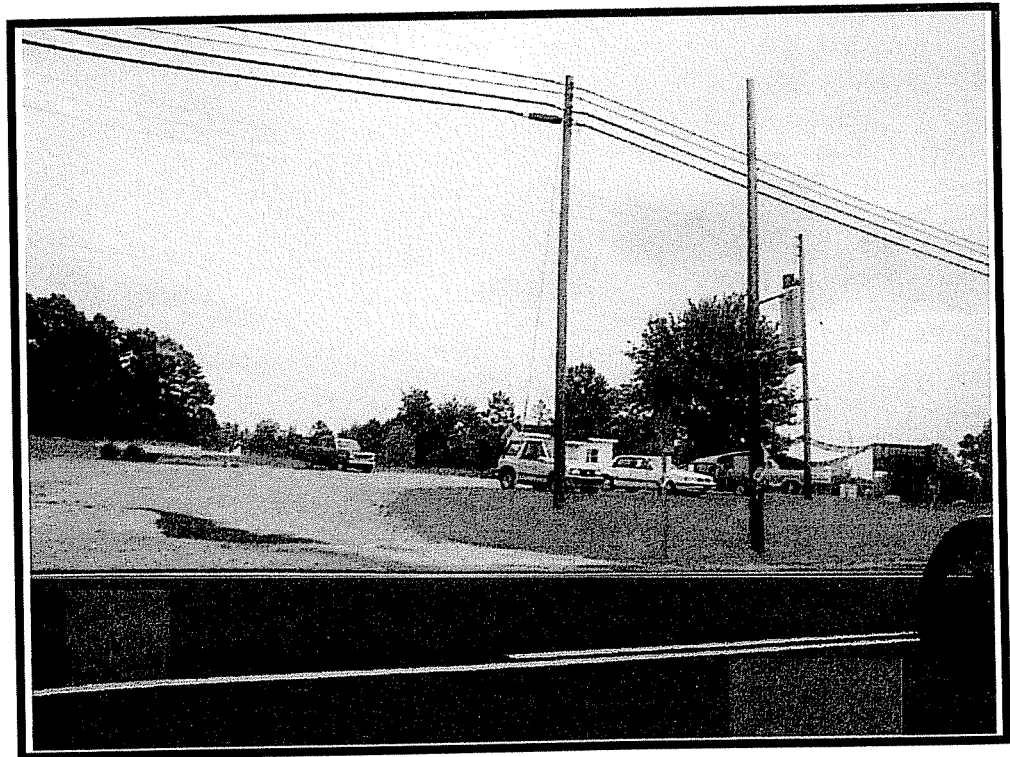
Improvements: Vacant

Data Source: Deed Book 149 Page 377, PVA
& site visit



Sales Comparison Approach (Land)-Sale # 2

Grantor: Jerry C. Stephens
Grantee: Shelva J. Jones
Date of Sale: 4/20/99
Sales Price: \$200,000
Size of Tract: 2.07 Acres
\$/Acre: \$96,618/acre
Location: S US 27 & KY 92
Pine Knot, KY
4-5 miles south
Improvements: Vacant
Data Source: Deed Book 149 Page 381, PVA
& site visit



Sales Comparison Approach (Land)-Sale # 3

Grantor: Richard Young and
Rita Young, his wife

Grantee: Roy Bruce

Date Of Sale: 6/25/99

Sales Price: \$65,000

Size Of Tract: 0.28 Acre

\$ Per Acre: \$232,143/acre

Location: US 27
1-2 miles south

Improvements: Older House (Razed)

Data Source: Deed Book 150 Page 084, owner
& site visit.



Sales Comparison Approach (Land)-Sale # 4

Grantor: George W. Hatfield, Jr.
Grantee: Roy Bruce
Date Of Sale: 3/28/96
Sales Price: \$62,500
Size Of Tract: 0.39 Acre
\$ Per Acre: \$160,256/acre
Location: US 27
1-2 miles south
Improvements: Vacant at time of sale.
Data Source: Deed Book 137 Page 672, owner
& site visit.



Sales Comparison Approach (Land)-Sale # 5

Grantor: Roy R. Jones and
Jennifer Jones, his wife

Grantee: Kirby Cordell and
Kimberly Cordell, his wife

Date Of Sale: 8/31/00

Sales Price: \$150,000.00

Size Of Tract: 0.61 Acres

\$ Per Acre: \$245,902/acre

Location: US 27
Across Highway

Improvements: C-Store (Razed)

Data Source: Deed Book 154 Page 519, owner, appraisal
records & site visit.



Sales Comparison Approach (Land)-Sale # 6

Lessor: R. G. Stephens, Inc.
Jennifer Jones, his wife

Lessee: Bank of McCreary County

Date Of Lease Agreement: 8/01

Sales Price: 30 Years prepaid for \$250,000.00

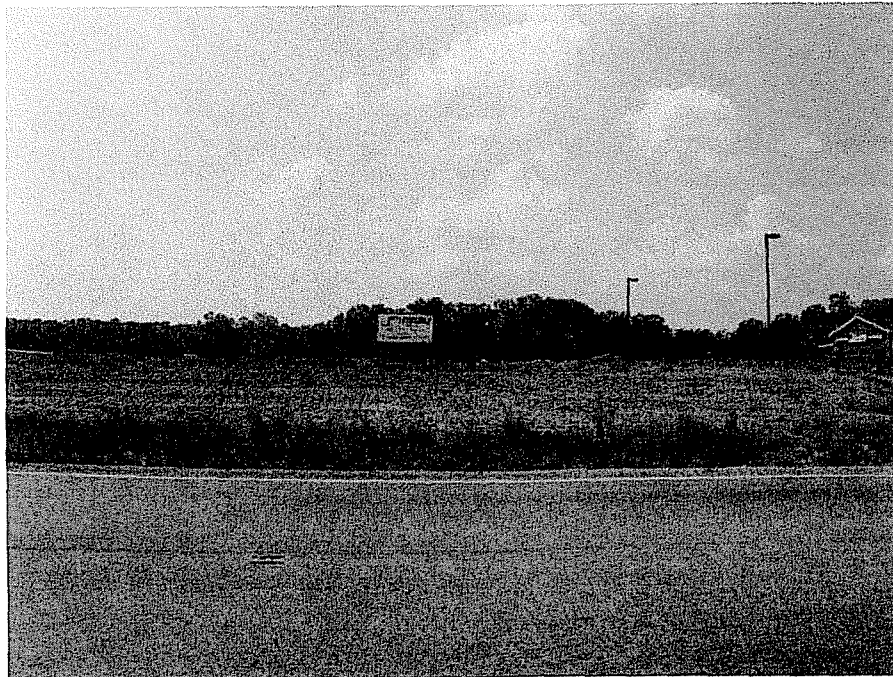
Size Of Tract: 1.10 acres

\$ Per Acre: \$227,273/acre

Location: US 27
300 feet northeast

Improvements: Vacant

Data Source: Unrecorded Lease, Lessor, & site visit.



Comparable Sales

