

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

October 26, 2006

RECEIVED

OCT 27 2006

PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: **Wood Creek Water District - Case No. 2006-00453**

Dear Ms. O'Donnell:

Enclosed please find the original appraisals for the real estate being purchased with the proceeds of the Kentucky Rural Water Finance Corporation Loan.

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By


W. Randall Jones

WRJ:jl

Enclosures

cc: Mr. Donta Evans, Superintendent

APPRAISAL REPORT

BLEDSON, LLC,
LAND LOCATED ON WOODS CREEK LAKE
7.41 ACRES (322,779 SF)
LOCATED OFF FILTER PLANT ROAD ON WATERS OF WOODS CREEK
LAKE
LONDON, LAUREL, KENTUCKY 40741

FOR
DONTA EVANS
WOODS CREEK WATER CO.
1670 EAST HAL ROGERS PARKWAY
LONDON, KY 40741



EFFECTIVE DATE OF APPRAISAL
AUGUST 4TH, 2006

Submitted by: Darin Sizemore
Certified Real Property Appraiser

License No. 001723

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- XII. SIGNED CERTIFICATION IN ACCORDANCE WITH APPLICABLE STANDARDS RULE.

EXHIBITS AND ADDENDA

- A. Photographs of Subject Property
- B. Entrance Plans
- C. Local and Area Sales Map
- D. Lot Plat (Legal Description)
- E. FEMA Flood Map
- F. Demographic Profile
- G. Qualifications and Licenses of the Appraiser

REAL WORLD APPRAISAL SERVICE
840 ALLF LANE
LONDON, KENTUCKY 40741
AUGUST 4th , 2006

Mr. Donta Evans
Woods Creek Water Co.
1670 East Hal Rogers Parkway
London, Ky 40741

Re: Summary Appraisal Report
Vacant Land located on the waters of Woods Creek Lake
Off Filter Plant Road
Land approximately (7.41 acres)
London, Kentucky 40741

Dear Mr. Evans:

Pursuant to your request, I have personally made an inspection of the above referenced property by boat, land and reviewed aerial photos. The purpose being to report to you my opinion of the market value of the property as if made available for acquisition by Woods Creek Water District . The property as it now exists, would require fill and drainage site work and could also require possible relocation or the addition of utilities needed to facilitate the distribution of electrical, water, sewer or private septic system.

The appraisal will be used by Woods Creek Water District for internal decision making concerning a possible purchase of the 7.41 acre tract.

Based on the examination and study made, I have formed the opinion that the market value of the subject property is:

(SIXTY THOUSAND DOLLARS)
\$60,000

The following report presents in detail the appraisal and my analysis of the data, along with any; other material upon which the estimate of value was predicated.

Respectfully Submitted,



Darin Sizemore
Certified Real Property Appraiser
#001723

CLIENT AND INTENDED USERS

Client: Woods Creek Water District

Intended Users: Same as Above

II. INTENDED USE

Intended Use: This appraisal is intended to determine the value of the subject as if made available for acquisition by Woods Creek Water District.

III. DESCRIPTION OF SUBJECT PROPERTY

SUBJECT DATA:

A. SITE:

Subject site consists of approximately 7.41 acres or 322,779 sq. ft of level, rolling to steep land with approximately 1,100 linear feet of lake frontage off Filter Plant Road. (refer to plats in Part IV - Exhibits and Addenda). Access is black top, gravel to dirt road via Filter Plant Road, public water and electric could be made available to site. Some marketable timber is on the property but no value is assigned since comparable sales also would have some marketable timber and any adjustments would be non supportive. There are no known or apparent mineral deposits on the subject site of contributing value.

The appraiser is not an environmental specialist or expert, however; from the standpoint of an appraiser's conclusion from an ordinary on site view/inspection of the subject site, there were no seen/apparent hazardous substances on the subject site. Subject appears to lie outside 100 year flood plan.

B. IMPROVEMENTS:

Site Improvements:

none of contributory value

Buildings:

none of contributory value

3. HISTORY:

Subject property was conveyed to Bledsoe, LLC by quitclaim deed of conveyance from Joseph A. Cates and Nanita Cates, husband and wife as recorded in attached deed. Deed dated 7th, day of February 2000, the sworn consideration being settlement of Civil Action No. 96-CI-00559. The conveyance being recorded in the Laurel County Kentucky Court Clerk's Office.

4. UTILITIES:

All electric and water are available or could be made available to the property.

5. EASEMENTS:

The appraiser is unaware of any adverse encroachments, covenants, restrictions, etc., on the subject site other than normal utility easements.

6. ASSESSED VALUE AND ANNUAL TAX LOAD:

The subject site is assessed at \$25,000.00

7. INSURANCE

The present amount and type of insurance are not known, however; as per "Rankin Insurance Center" the current rate of insurance on similar property is: \$7.09 per thousand (subject to annual review and change by the carriers). Insurance is not normally carried on vacant land.

8. ZONING: Subject property is located outside city limits of London which has no zoning regulations. There are no other local governmental imposed restrictions as applies to this property which are enforced in the subject area. Utility commissions do have the powers of eminent domain.

9. Comments: Subject property is located outside city limits of London and should have no zoning or regulatory problems in regards residential development.

10. Sale Price Pending

IV. PROPERTY INTEREST APPRAISED

Property Interest Appraised: Fee Simple

Fee simple estate is the absolute ownership unencumbered by any other interest or estate subject only to the four powers of government. (The Dictionary of Real Estate Appraisal, 4th Ed., by American Institute of Real Estate Appraisal, 2002.) The four governmental powers include eminent domain, escheat, police power, and taxation.

V. PURPOSE OF THE APPRAISAL

The purpose of the Appraisal is to estimate the market value of the fee simple estate of the property under market conditions prevailing on August 4th, 2006, as the most probable price in terms of cash or financial arrangements equivalent to cash.

MARKETING TIME AND EXPOSURE TIME ESTIMATED TO BE 6 TO 24 MONTHS.

Market Value

The major focuses of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. Continual refinement is essential to the growth of the appraisal profession.

1. The most widely accepted components of market value are incorporated in the following definition:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after

reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

2. Market value is defined in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2004 ed.)

USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- o Identification of the specific property rights to be appraised.
- o Statement of the effective date of the value opinion.
- o Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- o If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

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 and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- o Buyer and seller are typically motivated;
- o Both parties are well informed or well advised, and acting in what they consider their best interests;
- o A reasonable time is allowed for exposure in the open market;
- o Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- o 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. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)“The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, 2002.

VI. EFFECTIVE DATE OF THE APPRAISAL: August 4th, 2006
DATE OF THE REPORT: August 30th, 2006

VII. SCOPE OF THE APPRAISAL

The appraiser has:

- A. Inspected the subject property to note the characteristics of the property that are relevant to its valuation;
- B. Will investigate available market data for use in a sales comparison approach to value and, if applicable, cost and income capitalization approaches.

The appraisers's investigation will include research of public records through the use of commercial sources of data such as printed comparable data services and computerized databases. Search parameters such as dates of sales, leases, locations, sizes, types of property and distances from the subject will start with relatively narrow constraints and if necessary, be expanded until the appraiser has either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until the appraiser believes that he or she has reasonably exhausted the available pool of data. Researched sales data will be viewed and if found to be appropriate, efforts will be made to verify the data with persons directly involved in the transactions such as buyers, seller, brokers, or agents. At the appraisers discretion, some data will be used without personal verification if, in the appraisers opinion the data appears to be correct. In addition, the appraiser will consider any appropriate listings or properties found through observation during appraisers data collection process. The appraiser will report only the data deemed to be pertinent to the valuation problem.

- C. The appraiser investigate and analyze any pertinent easements or restriction on the fee simple ownership of the property. It is the client's responsibility to supply the appraiser with a title report. If a title report is not available, the appraiser will rely on a visual inspection and identify any readily apparent easements or restrictions
- D. The appraiser will analyze the data found and reach conclusions regarding the market value, as defined in the report, of the subject property as of the date of value using appropriate valuation approach (es) identified above;
- E. The appraiser will prepare the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the appraisal Institute;
- F. The appraiser will not be responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser will, however, report any indication of toxic waste or contaminants that may affect value if they are readily apparent during appraiser's investigation. Appraisers cautions the user of the report that the appraiser completing this report is not an expert in such matters and that appraiser may overlook contamination that

might be readily apparent to parties who are experts in such matters.

G. Will prepare a Summary Appraisal Report, as defined in USPAP, which will include photographs of the subject property, descriptions of the subject neighborhood, the site, any improvements on the site, a description of the zoning, a highest and best use analysis, a summary of the most important sales used in the appraiser's valuation, a reconciliation and conclusion, a map illustrating the sales in relationship to the subject property, and other data deemed by the appraiser to be relevant to the assignment. Pertinent data and analysis not included in the report may be retained in the appraisers files.

Additional work conducted in producing this product included research of public and other records with reference to land and improved sales as well as absorption, economic viability of the potential highest and best uses, costs and availability of utilities, mineral values, development costs, revenue cabinet data for appreciation calculation, and local restrictions affecting the operation of the property at the determined highest and best use.

Also included in the Scope of Work for this assignment is the following:

- A. Receipt of request from the client if applicable.
- B. Inspection of and measuring the improvements on the property.
- C. Analyzing all relevant data.
- D. Preparing a file and assembling a report.
- E. Delivery of the report to the client.

SOURCES OF DATA

The data contained in this report was obtained from the Laurel County Clerk's Offices, Woods Creek Water District and the Laurel County Property Valuation Administrator's (tax assessor) Offices, Comparable Sale Grantees and the files of the of the Appraiser.

VIII. ASSUMPTIONS, HYPOTHETICAL CONDITIONS AND LIMITING CONDITIONS

1. This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report is specific to the needs of the client and for the intended use state in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any encumbrances and/or liens unless otherwise stated in this report.
4. The property is assumed have responsible and competent ownership and management unless otherwise stated in this report.
5. The information provided by other is assumed to be reliable. However, no warranty is given for its accuracy.
6. All plat plans and engineering is assumed to be correct. Any drawings or renderings of the plottage by the appraisal is for illustrative purposes only and submitted to assist in the visualization and understanding of the property for the reader.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render them more or less valuable. No responsibility is assumed for such conditions or for arranging for the engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. If the area is subject to zoning and/or deed restrictions, full compliance is assumed, unless a nonconformity has been stated, defined and/or otherwise noted and considered in this report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use o which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits are found in this report are provided for the reader reference only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries of property lines of the property herein described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of such substances such as asbestos, urea-formaldehyde foam insulation, lead based paint, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss of value unless otherwise stated in this report. No responsibility is assumed for environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disables individuals may adversely affect the property's value, marketability and/or utility.
15. Proposed improvements, if any, are assumed to be completed and in a good workmanlike manner in accordance with any submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other that the party(s) to whom addressed then only with the written consent of the appraiser and the client, and in any event, only with properly written qualifications and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.
19. The appraiser reserves the right to recall and revise all copies of the appraisal to correct any omission or error.

IX. SUMMARY OF INFORMATION ANALYZED, APPRAISAL PROCEDURES FOLLOWED AND THE SUPPORTING REASONING, ANALYSES, OPINION OF THE HIGHEST AND BEST USE.

VALUATION ANALYSIS

In estimating the market value of the subject property, the sales comparison, the cost, and income capitalization approaches were considered. Each approach is briefly discussed with an explanation of that particular approach appropriate to this valuation assignment.

The Sales Comparison Approach, is a method of estimating value whereby the subject property is compared with similar properties that have sold recently, or for which listing prices or offering figures are known. The information on typically comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would be sold if it had been offered on the market. Preferable, all sale properties are in the same area or in similar neighborhoods. The sales comparison approach is a systematic procedure for reflecting comparative shopping. Market supported adjustments are necessary to the comparable sales in many instances since no two properties are identical. If the comparable sale property is inferior to the subject for a particular characteristic, the sale price is enhanced by an appropriate adjustment factor. Conversely, if the comparable sale property is superior to the subject, then the sale price is reduced by a corresponding adjustment factor.

Sales comparisons are generally concluded by relevant units of comparison (e.g., acre, per square foot, per front foot, multipliers) to develop a comparative analysis for each unit. The most market oriented unit of comparison is used to reconcile a single value indication. The land valuation is a separate section of the report and discussed prior to the sales comparison valuation section.

The Cost Approach is an indication of value of the land under the highest and best use, plus the depreciated replacement or reproduction cost of the improvements. Depreciation is the loss in value due to wear and tear, design and plan, or neighborhood influences. The cost approach is based upon the principle of substitution which holds that a purchaser would most likely not pay more for a property than the cost of obtaining an equally desirable substitute site, plus the cost of replacing equally desirable and useful improvements thereon, assuming no costly delay is involved in substitution.

The Income Capitalization Approach, the projected or current rental income property is shown with deductions for vacancy and collection losses and expenses. The estimated net operating income of the property is calculated. To support this net income estimate, operating statements of previous years and comparable properties may be reviewed along with available operating expense estimates. The applicable capitalization method and appropriate overall capitalization rates are developed and used in computations to lead to an indication of value.

Reconciliation - The appraiser, after reviewing improved sales data, vacant land sales data, and rental data over the last 5 years has arrived at the following conclusions: A. There is sufficient recent and relevant local data to do a sales comparison approach valuation of the subject property. B. Since the property is appraised as vacant land this approach would be the same as the sales comparison approach. C. There is not sufficient rental data of similar properties in the market area and other nearby markets to do an income approach.

LAND VALUE ESTIMATE

In estimating the land value, land sales have been researched and analyzed in the subject neighborhood.

An analysis of land sales in and near the subject neighborhood provides a meaningful indication of appreciation and land value. Land values in the area are estimated to have been generally increasing for the past few years at a relatively slow rate; therefore appreciation adjustment is estimated to be 3% per year /0.025% per month.

Smaller properties typically reflect higher unit values as the result of the economic principle of economies of scale. This tends to indicate that the subject property may reflect a unit value higher than a sale property several times its size. However, there is a threshold where small properties become less desirable because of decreased utility. The subject parcel is of a size that may tend to influence the utility of the site for some uses, however vacant land sales of similar size were used such that any adjustment for size would be mitigated to great extent. Any size adjustments contained in this report are estimated and based on the training, knowledge, and experience of the appraiser.

Elements of Comparison (Adjustments):

The characteristics of properties and transactions causing variances in price paid are known as elements of comparison. The degree of price variance caused by these elements was estimated using paired data sets where appropriate. Other adjustments were based on interviews and with developers and brokers, the appraisers experience with similar types of properties and knowledge of the area.

The elements of comparison considered included:

1. Real property rights conveyed
2. Financing terms
3. Conditions of sale
4. Date of sale (market conditions)
5. Location or accessibility
6. Physical characteristics

Property Rights Conveyed - In determining the real property rights conveyed, deeds and other sale related public records were reviewed. In all cases fee simple interest was conveyed requiring no adjustments.

Financing - The sale price of one property may differ from a nearly identical parcel under different financial arrangements. In other words, atypical financing may have an upward or downward effect on the price a buyer and seller agree to. Confirmation of each sale indicated no financing other than what was readily available in the local market when the sales occurred.

Conditions of Sale - Condition of sale adjustments are required when the motivation of the buyer and seller have an effect on the sale price. For example, if the seller needed immediate cash from the sale of real estate, the price he or she accepts may be less than it would be if the cash could be generated from another source. In confirming each of the sales used, it was determined that there were no unusual or atypical conditions affecting any of the transactions. No adjustments were required for this element of comparison.

Market Condition (Time) - Other market conditions which may have an effect on the sale price including inflation, deflation or changes in the supply and demand of a particular property type over time. Although not synonymous with the term "time adjustment" market condition adjustments are usually referred to as time adjustments. The purpose here is to compare the sale to the subject and consider the price change if any, up or down from the time the sale occurred to the effective appraisal date. In this area the local economy has been relatively static with limited growth for the past several years. The average price for commercial land has been rising over the last three years.

Physical Characteristics - As before, paired sales were considered in trying to estimate adjustments for size, topography, shape and/or utility. While no clear trend was indicated via the paired sales analysis, adjustments were made based on the appraisers experience and interviews with buyers, and sellers, developers and local area brokers. In most cases a discount for large parcels can be negotiated. Likewise property along a major roadway, or near a major commercial development or intersection with better access, visibility and traffic counts should be adjusted downward. One with poor access and visibility and traffic counts should be adjusted downward. All of the sales were for relevant vacant (cost approach) or improved (market approach) land that as nearly as possible, in a small rural market area accurately reflected the value of the subject property.

Sequence of Adjustments - The sequence of the adjustments should be considered at this point. Customarily, the adjustments are made for each element of comparison in the same order in which they were presented on the previous pages. The adjustments for real property rights conveyed, financing terms, conditions of sale and date of sale or market conditions are cumulative. From this point, the adjustments for location, accessibility and physical characteristics are additive. In other words, once the time adjusted sale price is determined, the adjustments for location or accessibility and physical characteristics are then added together to determine the net adjustment for these last elements of comparison. The net adjustment is then applied to the adjusted unit value indication after considering the first four elements of comparison.

VACANT LAND SALES -SALES COMPARISON APPROACH-
COMPARABLE SALE NO. 1

Grantor: Bill & Mattie Wheeler

Grantee: Lowell & Tommie Gray

Sales Date: 06/16/2006 Sales Price: \$55,000

Financing & Conditions: Cash - Arms length transaction

Highest and Best Use: Future Residential Development Zoning: None

Size: 19.679 acres with 1,030 of linear lake frontage on Woods Creek Lake

Unit Value: \$2,794 PA

County: Laurel

Source: Deed Book 608, page 110

Location: Located off Allen Lewis Road

Utilities: Public water, septic, electricity, and telephone available to site.

Buildings: None of contributing value Site Improvements: None of contributing value.

Prior Sales History: None noted past 36-months

Comments: This property comprises one tract of 19.679 acres/857,217 sf, and is accessed via Allen Lewis Road. Some site preparation would be required if developed and topography of sale is steep to sloping. Most similar comparable sale in terms of location. Future residential development use would be similar to subject but topography of tract is inferior when compared to subject.

VACANT LAND SALES -SALES COMPARISON APPROACH-
COMPARABLE SALE NO. 2

Grantor: Merrill Gay Johnson Davies & William Davies

Gloria Fay Johnson McMillin & Larry McMillian

Grantee: Ernest Tackett & Shelia Tackett

Sales Date: 10/10/2005 Sales Price: \$178,200

Financing & Conditions: Cash - Arms length transaction

Highest and Best Use: Future Residential Development Zoning: None

Size: 31.71 acres; No lake frontage

Unit Value: \$5,619 PA, No lake frontage

Source: Deed Book 596, page 181

Location: High Moore Road

County: Laurel

Utilities: Public water, septic, electricity, and telephone available to site.

Buildings: None of contributory value at time of sale.

Site Improvements: None of contributing value at time of sale.

Prior Sales History: None within past 24-months

Comments: This property would required some site preparation prior to development.

Comparable sale is located on High Moore Road and sold at auction. Highest and Best use would be residential development.

VACANT LAND SALES -SALES COMPARISON APPROACH-
COMPARABLE SALE NO. 3

Grantor: Marie Popplewell

Grantee: Clifford Wilson

Sales Date: 07/06/2001 Sales Price: \$665,000.00

Financing & Conditions: Cash - Arms length transaction

Highest and Best Use: Future Residential Development Zoning: None

Size: 123.586 acres, Linear lake frontage on Lake Cumberland 1,098 lf

Unit Value: \$5,381 PA, Value per linear lake frontage \$606

Source: Deed Book 165, page 504

Location: Located in Russell County on Lake Cumberland off Alligator Boat Dock Road

Utilities: Public water, septic, electricity, and telephone available to site.

Buildings: None of contributing value.

Site Improvements: None of contributing value.

Comments: This property would required some site preparation prior to development. Property is located on Alligator Boat Dock Road and has approximately 1,098 linear feet of lake frontage on Lake Cumberland. Due to sale offering lake frontage on Lake Cumberland highest and best use would be residential development.

VACANT LAND SALES -SALES COMPARISON APPROACH-
COMPARABLE SALE NO. 4

Grantor: Jeffrey Popplewell, Trustee

Grantee: Walter Martin

Sales Date: 07/28/2004 Sales Price: \$400,000.00

Financing & Conditions: Cash - Arms length transaction

Highest and Best Use: Future Residential development Zoning: none

Size: 47.79 acres., linear lake frontage on Lake Cumberland 650 lf

Unit Value: \$8,370 PA, Value per linear lake frontage \$615

Source: Deed Book 227 Page 113

Location: Located in Russell County on Chelsea Road with lake front on Lake Cumberland.

Utilities: Public water, septic, electricity, and telephone available to site.

Buildings: None at the time of sale. Site Improvements: None of contributing value.

Comments: Site comprises by estimate 47.79 acres with frontage on Lake Cumberland. This sale is of somewhat similar in terms of topographical configuration and overall general amenities.

VACANT LAND SALES -SALES COMPARISON APPROACH-
COMPARABLE SALE NO. 5

Grantor: Hail Holding Company, Inc.

Grantee: Atlantic Land Corporation

Sales Date:01/18/2005

Source: Deed 754, Page 243 Sales Price: \$1,850,000.00

Financing & Conditions: Cash - Arms length transaction

Highest and Best Use: Future Residential Development Zoning: None

Size: 716 acres, linear lake frontage on Lake Cumberland 370 lf.

Unit Value: \$2,584 PA, 370 per linear lake front

Source: Deed Book 754, Page 243

Location: Located on Williams Bend in Pulaski County

Utilities: Public water, septic, electricity, and telephone could be made available to site.

Buildings: None at time of sale.

Site Improvements: None of contributing value at time of sale.

Comments: Sale is located on Pulaski County with lake frontage on Lake Cumberland.

LAND VALUE JUSTIFICATION

SUBJECT PROPERTY	COMP. # 1	-	COMP. # 2	-	COMP. #3
1. H&B Use - Commercial	Commercial	-	Commercial	-	Commercial
2. Land Size- 7.41 acres	19.679ac.	-	31.71ac.	-	123.586 ac.
3. Sales Date-	06/06	-	10/05	-	07/06/01
4. Sales Price-	\$ 55,000	-	\$178,200	-	\$665,000
5. Time Factor- (3%/annum)	\$ -0-	-	\$ 5,346	-	+\$ 99,750
6. Adj. Sales Price-	\$ 55,000	-	\$183,546	-	\$764,750
7. Improvement Contribution	\$ -0-	-	\$-0-	-	-0-
7. Price Per Acre - adjusted	\$ 2,794	-	\$ 5,788	-	\$ 6,188
8. ADJUSTMENT FACTORS/acre	.+/- \$ - Adj.		+/- \$- Adj.	+/-	\$-Adj.
a. Size/shape (economy scale)	=	+	\$ 578/ac	+	\$ 1,547/ac
b. Utilities	=		=		=
c. Access/location	=	-	\$ 578/ac	-	\$ 1,237/ac
d. Financing	=		=		=
e. Improvements value	=		=		=
f. Topography	+\$ 1,676	-	\$ 578/ac		=
g. Linear Lake Frontage (1,100 lf)	= (1,030lf)	+	\$ 2,500/ac (Zero)		= (1,098lf)
9. NET ADJUSTMENT	+\$ 1,676/ac	+	\$ 1,922/ac	+	\$ 310/ac
10. INDICATED VALUE/PAC	\$ 4,470/ac		\$ 7,710/ac		\$ 6,498/ac

LAND VALUE JUSTIFICATION CONTINUED

SUBJECT PROPERTY	COMP. # 4	-	COMP. # 5
1. H&B Use - Commercial	Commercial	-	Commercial
2. Land Size- 7.41 acres	47.79ac.	-	716 ac.
3. Sales Date-	07/04	-	01/05
4. Sales Price-	\$400,000	-	\$1,850,000
5. Time Factor- (3%/annum)	\$ 24,000	+	\$ 55,500
6. Adj. Sales Price-	\$424,000	-	\$1,905,500
7. Improvement Contribution	\$ -0-		-0-
7. Price Per Acre - adjusted	\$ 8,872		\$ 2,661
8. ADJUSTMENT FACTORS/acre	.+/- \$ - Adj.		+/- \$- Adj.
a. Size/shape (economy scale)	+\$ 887/ac	+	\$1,862/ac
b. Utilities	=		=
c. Access/location	-\$ 1,774	-	\$ 266/ac
d. Financing	=		=
e. Improvements value	=		=
f. Topography	=		=
g. Linear Lake Frontage (1,100 lf)	+\$ 887 (650lf)	+	\$1,064/ac (370lf)
9. NET ADJUSTMENT	-\$ -0-/ac	+	\$ 2,660/ac
10. INDICATED VALUE/PAC	\$ 8,872/ac		\$ 5,321/ac

EXPLANATION OF ADJUSTMENTS TO EACH SALE AND CORRELATION

CS No. 1

Comparable no. 1 was inferior because of topography.

No additional adjustments deemed necessary all other major factors deemed equal or offsetting.

CS No.2

Comparable no. 2 was superior because of direct access of High Moore Rd and topography being level to rolling. Comparable no. 2 was inferior because of economy of scale and no lake frontage.

No additional adjustments deemed necessary all other major factors deemed equal or offsetting.

CS No.3

Comparable no. 3 was superior because of location due to property having lake frontage on Lake Cumberland. Comparable no. 3 was inferior because of economy of scale principal.

No additional adjustments deemed necessary all other major factors deemed equal or offsetting.

CS No. 4

Comparable no. 4 was superior because of being located on Lake Cumberland. Comparable sale inferior because of economy of scale and linear lake frontage.

No additional adjustments deemed necessary all other major factors deemed equal or offsetting

CS No. 5

Comparable no. 5 was superior because of location and inferior because of economy of scale and lake frontage.

No additional adjustments deemed necessary all other major factors deemed equal or offsetting

CORRELATION AND JUSTIFICATION OF VALUE USED

The five sales used as a basis of comparison to the subject property are thought to be among the best available. All five sales have the same or similar HBU, are of recent or reasonably recent date, and are located within relatively close proximity to the subject property. The major variance between the subject property and all sales being size and lake frontage. No sales existed of the same size, location and HBU as the subject. All sales compares favorably to SP in terms general location, all sales except for comparable number two are vacant tracts with lake frontage on Woods Creek Lake or Lake Cumberland. These sales would give a reasonable range of value for such properties that have both direct and extremely indirect access to secondary thoroughfares. Due to subject economy of scale and overall topography comparable's no. 1-4 were given the most weight in final opinion of value. Thus $\$8,000 \times 7.41 \text{ acres} = \$59,280.00$
Rounded Value \$60,000

COMMENTS ON SALES COMPARISON APPROACH

Market data represents as similar type properties as could be found in the market with similar type uses. The distance from the subject, site size, topography, utility and desirability have all been given weight in the considered valuation.

CORRELATION OF SALES TO VALUE:

Correlation: All sales cited above offer a reasonable basis of comparison to the subject. The five sales used are thought to be among the best available indicators of value for the subject site due to location, lake frontage and highest and best use. All five sales used are given some weight in the value estimate. Considering the market value area and the location of the property, accesses, appearance as well as factors relating to the sale price and sales conditions the mid value range was selected as the best representation of the subject property. ***Per the Market Approach \$60,000.00 is deemed to be a reasonable estimate of the value of Subject Property land and improvements.***

X. USE OF THE PROPERTY, EXISTING AS OF THE DATE OF THE APPRAISAL, PERSONAL PROPERTY, IF ANY, SUMMARY OF THE SUPPORTING RATIONALE FOR THE OPINION OF THE HIGHEST AND BEST USE.

ANALYSIS OF HIGHEST AND BEST USE

Highest and best use may be defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The necessary and probable legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. (The Dictionary of Real Estate Appraisal, 4th Edition, by American Institute of Real Estate Appraisers 2002.)

The definition immediately preceding applies specifically to the highest and best use of land and/or property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be concluded to be different from the existing use. 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.

Also implied, is that the estimation of highest and best use results from judgement and analytical skill, i.e., that the use concluded from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the contest of most probable selling price (market value), another appropriate term to reflect highest and best use would be most probable use. In the context of investment value, an alternative term would be most profitable.

The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive. These criteria are usually considered sequentially; a use may be physically possible, but that is irrelevant if it is not feasible or possible or is legally prohibited. Only when there is a reasonable possibility that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the analysis. (The Appraisal Real Estate, 12th Ed. by Appraisal Institute, 2001.)

The physical characteristics of the land such as size, shape, location, lake frontage and topography have been considered. In addition, the analysis has included the surrounding developments, lack of zoning, access to major transportation routes, availability of utilities, current trends, and demand for property of this type in the real estate market.

The land value is based on the premise of the highest and best use "as though vacant". There are four tests which are taken into consideration in developing an opinion of highest and best use. These four tests include an examination of those uses that are physically possible, legally permissible, financially feasible, and maximally productive. Each criterion is considered cumulatively and provides the best analysis for the highest and best use of the subject site "as though vacant".

Physically Possible

Size, shape, area, soils, and topography affect the uses to which a site may be physically developed. The utility of a parcel may depend on its frontage and depth. Irregularly shaped parcels may cost more to develop and, when developed, may have less utility than a rectangular parcel.

The parcel is of sufficient size for a variety of uses but due to location and lake frontage, residential development appears to be the only reasonable choice. Based on an inspection of the land and the site description as outlined in this report, there are no known physical restraints which would inhibit development of the site.

Legally Permissible

After considering those uses that are physically possible, the uses that are legally permissible were considered. No illegal uses were considered.

Subject site is irregular in shape, sloping topography, at or near road grade, and suitable for numerous uses. The site contains 14.62 acres with lake frontages as previously stated. No conditions were observed which would prevent utilization and or development of the site as it presently exists. Any market supported use would be suitable for this site.

Financially Feasible

The next analysis involves consideration of those uses that have been determined to be physically possible and legally permissible to determine which are financially feasible. Considering the current economic conditions of the local and national economy, the availability of mortgage funds and other types of business capital appears to be adequate for investments in this type of real property. With vacancy rates stable and rental rates steady, and considering the

relative cost of land in the area, residential development appears to be a feasible use.

Maximally Productive

In determining the most productive use of the property as though vacant, primary consideration was given to neighborhood development trends, and the most economically feasible uses supported by the local market. The site would most likely be purchased by a party interested in developing a residential subdivision type development or multi family development.

Based on a review of the highest and best use of the subject property "as though vacant", is future residential development.

XI. EXPLANATION OF ANY DEPARTURES AND THE REASON FOR EXCLUDING ANY USUAL APPRAISAL APPROACHES.

All approaches to value were considered with the property being essentially vacant land the only approach available for consideration given the available data was the market approach - as might be expected - in a small rural area - sales were not prevalent that exactly mirrored the subject property. This is reflected in the Sale Comparison Approach. Giving due consideration to these factors the appraiser has completed a Summary Appraisal Report.

XII. SIGNED CERTIFICATION IN ACCORDANCE WITH APPLICABLE STANDARDS RULE. CERTIFICATION AND USPAP COMPLIANCE

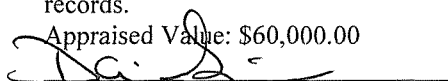
By Accepting this report the herein named client agrees to accept this value opinion subject to the following Limiting Conditions:

1. The Statements of Fact Contained in this report are true and correct to the best of my knowledge and belief.
2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and have no personal interest with the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with the assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is no contingent upon the development of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analysis, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. No one unless other wise herein named has provided significant professional assistance to the person signing this report. This report does include public records obtained from the Tax Assessors Office and the County Court Clerk's Office..
10. The Client is Mr. Jim Kennedy and Laurel County School Board herein named, the intended use is for possible purchase of Warren & Mary Greer Estate, the value is the market value of the fee simple interest in terms of cash to the seller.. The Effective Date being August 4th, 2006.
11. Time analysis is made based on the percent of property value increase as determined through the Ky. Revenue Cabinet Co. Tax Assessments - (www.revenue.state.ky.us/pdf/cntypropassmt.pdf). In Laurel County.
12. Exposure and Market time are estimated at less than 24 months.
13. This is a Summary Appraisal Report.

EXTRAORDINARY ASSUMPTIONS:

- A. It is understood that at the clients (herein named) request a market value determination based on the market approach.
- B. The value opinion is expressed in terms of cash or cash equivalent, with the effective date being the date above named. The highest and best use being as a commercial property with a variety of potential uses a levels of development. That the analysis of prior sales of the property was done pursuant to Standards Rule 1-5.
- C. An analysis of the prior sales of the subject and the comparable sales for the past three (3) years is included in the appraisers files.
- D. Measurements if relevant, of the subject property was made based on the 1/10th foot and rounded to the nearest 1/2 foot. The data for the comparable sales was taken from, site visit, PVA, files of the appraiser and appraisal records.

Appraised Value: \$60,000.00


Darin Sizemore, August 30th, 2006

SUPPLEMENTAL ADDENDUM

BORROWER/CLIENT: WOODS CREEK WATER DISTRICT
PROPERTY ADDRESS: WOODS CREEK LAKE OFF FILTER PLANT ROAD
CITY: LILY **COUNTY:** LAUREL **STATE:** KY **ZIP:** 40740
LENDER: N/A

**ONLY THOSE STATEMENTS THAT HAVE BEEN CHECKED
BY THE APPRAISER APPLY TO THE PROPERTY BEING APPRAISED**

- The Reproduction Cost is based on, Marshall & Swift - Depreciation Straight Life and supplemented by the appraiser's knowledge of the local market.

- Physical Depreciation is based on the estimated effective age of the subject property. Functional and/or External depreciation, if present is specifically addressed in the appraisal report or other addenda. In estimating the site value, the appraiser has relied on personal knowledge of the local market. This knowledge is based on prior and/or current analysis of site sales and/or abstraction of site values from sales of improved properties.

- The subject property is located in an area of primarily owner-occupied single family residences and the Income Approach is not considered to be meaningful. For this reason the Income Approach was not used.

- The estimated Market Rent and Gross Rent Multiplier utilized in the Income Approach are based on the appraiser's knowledge of the Subject market area. The rental knowledge is based on prior and/or current rental rate surveys of commercial properties. The Gross Rent Multiplier is based on prior and/or current analysis of prices and market rates for commercial properties.

- "It is assumed that all plumbing, electric and septic system are in proper working order Unless otherwise noted."

- COMMENT:**
"This appraisal report has been prepared for the exclusive benefit of Woods Creek Water District; London, Ky it can not be used or relied upon by any other party. Any party who used or relies upon any information in this report, without the preparer's written consent, does so at his own risk."

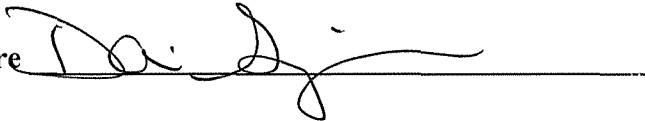
ADDITIONAL COMMENTS:

[X] AMERICAN DISABILITIES ACT:

The Americans with Disabilities Act (“ADA”) became effective January 26,1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property,. Since the appraisers have not direct evidence relating to this issue, possible non-compliance with the requirement of ADA in estimating the value of the property has not been considered.

[X] APPRAISER’S SIGNATURE & LICENSE/CERTIFICATION

Appraiser’s Signature



Appraiser’s Name (Print): **Darin Sizemore**

Effective Date: **08-02-2006**

Date Prepared: **08-30-2006**

State: **Kentucky** License **June 2006-07 Certified Real Property Appraiser License #001723**

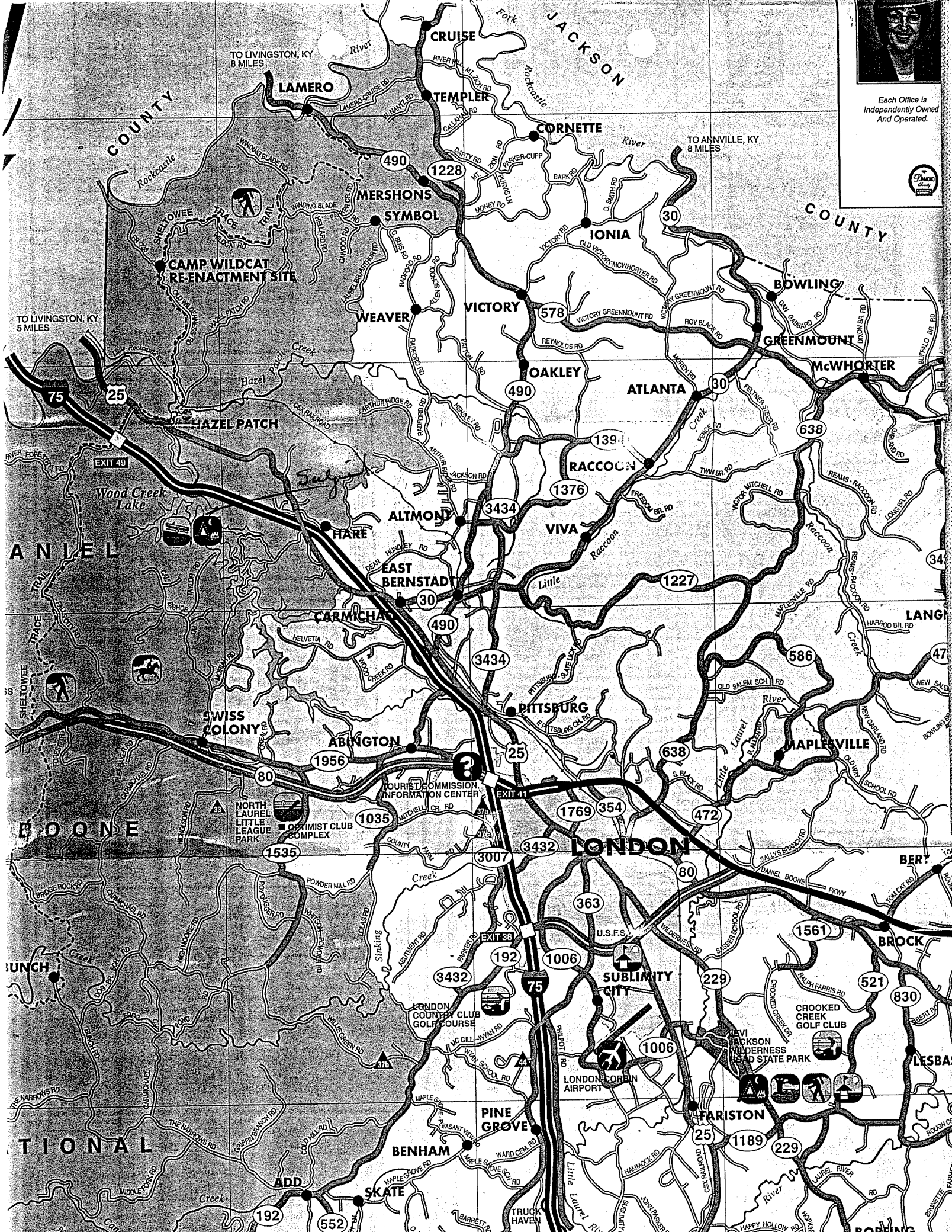
EXHIBITS AND ADDENDA

SUBJECT PHOTOS





Each Office Is Independently Owned And Operated.



BORING

NATIONAL FLOOD INSURANCE PROGRAM

FIRM
FLOOD INSURANCE RATE MAP

LAUREL COUNTY,
KENTUCKY
(UNINCORPORATED AREAS)

PANEL 15 OF 200

COMMUNITY—PANEL NUMBER:

210134 0015 B

EFFECTIVE DATE:

NOVEMBER 2, 1990



Federal Emergency Management Agency

WOOD

75

1234581

65

QUITCLAIM DEED

no transfers

THIS DEED is made and entered into on this the 7th day of February, 2000, by and between Joseph A. Cates and Nanita Cates, husband and wife, 3000 Mattock Old Union Road, Bowling Green, Kentucky 42104, parties of the first part and Bledsoe, LLC, 408 N. Main Street, Suite 2, London, KY 40741, party of the second part.

WITNESSETH: That the grantor, for and in consideration of the settlement of Civil Action No. 96-CI-00559 and pursuant to Agreed Order of Dismissal entered therein, styled Joseph A. Cates and Nanita Cates, husband and wife vs. Larry G. Drutis and Eileen V. Drutis, husband and wife; Kenneth T. House and Ernestine P. House, husband and wife; Nora Gilbert, widow; Grace Wiggins Leach, widow (now Bledsoe, LLC); and Thomas T. Lawson and Peggy Lawson, husband and wife, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties of the first part do hereby remise, release, quitclaim and convey unto the second party, its successors and assigns, forever, all right, title, interest or claim of the first parties in and to the following described real property situated in Laurel County, Kentucky and being more particularly described as follows:

TRACT I:

Beginning on an iron pin in the South West right -of-way line of a dirt road and corner to Woodrow Gilbert; thence with said right-of-way line the following calls: N. 21 deg. 12'24" W. 147.53 feet; N. 44 deg. 31'00" W. 101.87 feet to an iron pin; N. 61 deg. 26'25" W. 97.96 feet; N. 82 deg. 08'28" W. 220.15 feet to an iron pin; S. 73 deg. 34'05" W. 138.16 feet to a sourwood; S. 54 deg. 43'08" W. 75.91 feet to a white oak; S. 22 deg. 08'17" W. 52.07 feet; S. 00 deg. 41'18" E. 31.17 feet; S. 20 deg. 02'09" E. 63.87 feet to a white oak; S. 38 deg. 34'34" E. 107.47 feet; S. 48 deg. 53'51" E. 170.76 feet; S. 36 deg. 23'41" E. 99.87 feet; S. 04 deg. 25'27" W. 46.27 feet to an iron pin; S. 52 deg. 26'19" W. 70.57 feet; N. 79 deg. 52'38" W. 123.07 feet to a black oak; S. 83 deg. 20'17" W. 104.17 feet; S. 67 deg. 58.05" W. 162.03 feet to an iron pin; S. 33 deg. 02'34" E. 34.14 feet to an iron pin in the East right-of-way of a dirt road and the North right-of-way of Filter Plant Road; thence with the North right-of-way of Filter Plant Road N. 70 deg. 28'20" E. 124.32 feet; S. 84 deg. 14'25" E. 239.49 feet to a black oak; S. 75 deg. 50'21" E. 90.90

757
feet to a maple; S. 89 deg. 44'13" E. 152.45 feet to an iron pin corner to Woodrow Gilbert in the North right-of-way line of Filter Plant Road; thence with line of Gilbert N. 20 deg. 26'33" E. 257.12 feet to an iron pin; N. 33 deg. 21'01" E. 174.05 feet to point of beginning. Containing 6.672 acres by survey of C. Douglas Mullins, Registered Land Surveyor No. 2773.

Being all the same property conveyed to the first parties, Joseph A. Cates and Nanita Cates, husband and wife, by deed from Woodrow Gilbert and Nora Gilbert, husband and wife, dated August 12, 1988, recorded September 2, 1988, in Deed Book 358 at page 412, records of the Laurel County Court Clerk's office at London, Kentucky.

TRACT II:

Beginning on an iron pin corner to Woodrow Gilbert and Joe Cates and on a dirt road; thence going with the line of Cates and said dirt road N. 21 degrees 12'24" W. 147.53 feet; N. 44 degrees 31'00" W. 101.87 feet to an iron pin; N. 61 degrees 26'25" W. 97.96 feet; N. 82 degrees 08'28" W. 220.15 feet to an iron pin; S. 73 degrees 34'05" W. 138.16 feet to a sourwood; S. 54 degrees 43'08" W. 75.91 feet to a white oak; S. 22 degrees 08'17" W. 52.07 feet; S. 00 degrees 41'18" E. 31.17 feet; S. 20 degrees 02'09" E. 63.87 feet to a white oak; S. 38 degrees 34'34" E. 107.47 feet S. 48 degrees 53'51" E. 170.76 feet; S. 36 degrees 23'41" E. 99.87 feet to an iron pin in the line of Cates; thence leaving line of Cates and crossing said road N. 65 degrees 19'52" W. 44.44 feet to a white oak in the line of Gilbert and on the other side of said dirt road; thence going with line of Gilbert and said dirt road N. 49 degrees 02'55" W. 59.03 feet to a chestnut oak N. 49 degrees 15'00" W. 179.03 feet to a twin white oak; N. 39 degrees 27'49" W. 97.42 feet to a white oak; N. 17 degrees 32'12" W. 55.04 feet to an iron pin corner to Lewis Hellard and Gilbert; thence going with the line of Hellard and still with said dirt road N. 04 degrees 36'29" W. 54.56 feet to an iron pin; N. 21 degrees 30'13" E. 71.21 feet to a pine; N. 50 degrees 34'37" E. 66.53 feet to a triple maple; N. 70 degrees 22'23" E. 120.30 feet to an iron pin; N. 23 degrees 53'30" W. 8.78 feet to an iron pin corner to Hellard and at the 1030 Elevation of Woods Creek Lake; thence going with said 1030 Elevation of said Lake and still with said dirt road S. 86 degrees 00'00" E. 112.56 feet to a white oak; S. 82 degrees 20'09" E. 158.64 feet to a poplar; S. 68 degrees 06'19" E. 93.46 feet to a twin white oak; S. 51 degrees 41'41" E. 56.39 feet to a white oak; S. 40 degrees 21'59" E. 81.15 feet to a white oak; S. 22 degrees 34'38" E. 42.57 feet to a poplar at the intersection of dirt roads and at the 1030 Elevation of said Lake; thence going with a dirt road S. 74 degrees 22'07" W. 37.83 feet to a point of beginning. Containing .735 acre by survey of C. Douglas Mullins, Registered Land Surveyor No. 2773.

Being all the same real property conveyed to the grantors, Joseph A. Cates and Nanita Cates, husband and wife, by deed from Nora Gilbert, widow, dated November 3, 1989, recorded May 8, 1990, in Deed Book 376 at page 01, records of the Laurel County Court Clerk's Office at London, Kentucky.

TO HAVE AND TO HOLD the same, together with all the appurtenances thereunto

Subject property is located between the shores of Woods Creek Lake and P.L. Hubbard Road, London, Laurel County, Kentucky. Exit #41 and Interstate 75 and Highway West 80 is approximately 5-7 miles east of the subject and downtown London. Main access is supplied by the Russell Dyché Parkway and Hawk Creek Road and P.L. Hubbard Road. The general neighborhood location is considered average in terms of recreational lake property. Mr. Evans is very familiar with the property, a detailed analysis of the tract and amenities offered is not deemed necessary.

AREA DATA

London is the county seat of Laurel County is located in southeastern Kentucky. The city is 75 miles south of Lexington, Kentucky; 98 miles north of Knoxville, Tennessee; and 154 miles south of Cincinnati, Ohio. London, had an estimated population of 5,692 in 2000.

Laurel County has a land area of 436 square miles. Approximately one-half of the county is in the Eastern Coal Field Region and the western portion of the county is within the Daniel Boone national Forest, Laurel County had an estimated 2001 population of 53,691.

The Economic Framework-Laurel County firms employed 16,286 people in 2000. Contract construction firms provided 1,241 jobs; mining and quarrying firms in the county employed 93; manufacturing firms in the county reported 4,789 employees; wholesale and retail trade provided 8,946 jobs; 4,859 were employed in the service industry; and state and local government accounted for 678 jobs.

Labor Supply-There is a current estimated labor supply of 23,141 persons available for industrial jobs in the labor market area will become 18 years of age and potentially available for industrial jobs.

Transportation - CSX Transportation provides main line rail service to London. Interstate 75, a major north-south highway corridor, directly serves London with two interchanges just west of the downtown area. London is on the Daniel Boone Parkway, a multi-lane toll road, which extends from London to the east. U.S. Highway 25 and Kentucky 80, both AAA-rated trucking highways, also serve London. Twenty-two trucking companies provide interstate and/or intrastate service to London. The Magee Field, a local airport located three miles south of London, has a 6,000-foot paved runway. Scheduled commercial airline service is available at the Blue Grass Airport near Lexington, Kentucky, 75 miles north of London.

Power and Fuel - Electric power is provided to London by the Kentucky Utilities Company and Jackson County Rural Electric Cooperative Corporation. Natural gas service is provided to London by the Delta Natural Gas Company, Inc.

Education - Primary and secondary education is provided by the Laurel County School System and the East Bernstadt Independent School System provides education through the eighth grade. In addition, non-public school system operates in London. There are 9 colleges and universities within 60 miles of London. Union College in

Barbourville also offers classes at the Bennett Center (formerly Sue Bennet College). The Laurel Campus of the Somerset Community College offer classes at their new facility in College Park in London.

The nearest state technical college is Laurel County Technical College in London. Other technical colleges in the area are Laurel County Technical College Cumberland Valley Campus in Pineville and Somerset Technical College in Somerset. The nearest area technology center (ATC) are Corbin ATC in Corbin; Knox County ATC in Barbourville; Clay County ATC in Manchester; Rockcastle County ATC in Mount Vernon; and Bell County ATC in Pineville; all located within 30 miles of London.

LABOR MARKET STATISTICS

The London Labor Market Area includes Laurel County and the adjoining Kentucky counties of Clay, Jackson, Knox, McCreary, Pulaski, Rockcastle and Whitley.

POPULATION

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Labor Market Area	319,299	323,257	327,027	331,578
London Market Area	6,930	7,045	7,523	5,692
Laurel County	50,068	50,734	52,015	52,715

N/A: Not available.

Source: U.S. Department of Commerce, Bureau of the Census.

POPULATION PROJECTIONS

	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>
Labor Market Area	342,930	355,670	363,981	372,293
Laurel County	56,251	59,710	62,416	65,122

Note: Population projections are from High Growth Series forecast.

Source: University of Louisville, Urban Studies Center, State Data Center.

LABOR FORCE CHARACTERISTICS OF RESIDENTS, 2001

	<u>Laurel County</u>	<u>Labor Market Area</u>
Civilian Labor Force	23,969	146,938
Employment	22,661	137,844
Unemployment	1,308	9,094
Rate of Unemployment (%)	5.5	6.2

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Work Force Commuting Patterns (1990)

Workers commuting out of Laurel County	4,694
Workers commuting into Laurel County	2,678
Working and residing in Laurel County	11,434

Source: University of Louisville, State Data Center.

**SELECTED COMPONENTS OF NONAGRICULTURAL EMPLOYMENT
BY PLACE OF WORK, 2000**

	<u>Laurel County</u>	<u>Labor Market Area</u>
All Industries (total)	22,147	111,744
Mining & Quarrying	93	1,567
Contract Construction	1,241	4,005
Manufacturing	4,789	22,650
Transportation & Public Utilities	1,039	5,364
Wholesale and Retail Trade	6,946	29,003
Finance, Insurance, & Real Estate	594	3,071
Services	4,859	28,659
State/Local Government	678	3,742
Other	11	N/A

Note: Excludes domestic workers, railway workers, certain nonprofit corporations, majority of federal government workers, and self-employed workers.

Source: Kentucky Workforce Development Cabinet, Average Monthly Workers Covered by Kentucky Unemployment Insurance Law, 1997.

AVERAGE PLACEMENT WAGES

Laurel County is served by the Corbin local office of the Kentucky Department for Employment Services. The focus of the following data is on the job placements made by the Corbin local office and may therefore be used as an indicator of the wages which employers in the area pay new employees. During the twelve months which ended on June 30, 1998, the local employment office filled Laurel County job openings in various occupational categories. The average hourly wage for selected occupational categories were:

<u>OCCUPATIONAL CATEGORY</u>	<u>NUMBER OF PLACEMENTS</u>	<u>AVERAGE WAGE (\$)</u>
All Occupations	2,848	5.71
Professional, Technical & Managerial	126	8.06
Clerical	225	5.44
Sales	40	5.93
Domestic	7	5.36
Services (excluding domestic)	394	5.42
Agricultural, Fishery, Forestry.etc.	14	4.81
Processing	381	5.56
Machine Trades	32	7.35
Bench Work	1,066	5.22
Structural	231	6.32
Motor Freight/Transportation	66	5.86
Packaging and Material Handling	262	6.61
Other	4	7.56

Note: Occupational categories are taken from the Dictionary of Occupational Titles published by the U.S. Department of Labor.

Source: Kentucky Workforce Development Cabinet, Department for Employment Services.

**AVERAGE WEEKLY WAGES BY INDUSTRY
BY PLACE OF WORK, 2000**

	Laurel <u>County</u>	Kentucky (State- <u>Wide)</u>	<u>U.S.</u>	<u>Ohio</u>
All Industries	\$462	\$512	\$ 610	\$579
Mining & Quarrying	565	808	1,000	813
Contract Construction	624	543	641	650
Manufacturing	520	666	770	801
Transportation, Communications & Public Utilities	590	686	756	698
Wholesale & Retail Trade	378	357	434	409
Finance, Insurance & Real Estate	520	652	935	736
Services	440	462	577	510
State/Local Government	570	494	598	586
	<u>Indiana</u>	<u>Virginia</u>	<u>Illinois</u>	<u>Tenn.</u>
All Industries	\$560.00	\$595.00	\$668.00	\$546.00
Mining & Quarrying	883.00	799.00	910.00	896.00
Contract Construction	642.00	567.00	804.00	585.00
Manufacturing	772.00	670.00	816.00	641.00
Transportation, Communications & Public Utilities	662.00	842.00	798.00	674.00
Wholesale & Retail Trade	371.00	416.00	479.00	413.00
Finance, Insurance & Real Estate	686.00	815.00	1,023.00	757.00
Services	476.00	628.00	521.00	
State/Local Government	529.00	551.00	638.00	511.00
N/A- Not Available				

Note: The average weekly wage for each category includes salaries and wages of all persons working for that type of business. For example, the manufacturing category includes both production workers and administrative personnel. Domestic workers, railway workers, certain nonprofit corporations, majority of federal government workers, and self-employed workers are excluded. Wages for U.S. and surrounding states rounded to nearest dollar.

Sources: Kentucky Workforce Development Cabinet, Average Weekly Wages of Workers Covered by Kentucky Unemployment Insurance Law 1996. U.S. Department of Labor, Bureau of Labor Statistics, Employment and Wages, Annual Averages, 1996, November 1997.

EXISTING INDUSTRY
LONDON, LAUREL COUNTY, MANUFACTURING FIRMS,
THEIR PRODUCTS AND EMPLOYMENT

<u>Firm</u>	<u>Product</u>	<u>Employment</u>	<u>Date Established</u>
Asin Automotive Casting Inc.	Automotive Aluminum die Cast components	480	1998
American Speedy Printing Center	Offset printing, computerized typesetting, desktop Publishing, plastic & glue Binding	7	2001
Artistic Signs	Painted & Wood Signs	1	1975
Begley Lumber Co., Inc.	Sawing & Planing Mill; Hardwood lumber	250	1982
Benqueil's Jewelry	Gold, silver & Platinum Precious decorative Jewelry	3	N/A
Bluegrass Spring Co., LLC	Compression, extension, Formed wire & flat springs	10	1993
Bruner Ivory Handle Co.	Ash Dowels	9	1946
Cardinal Concrete	Ready Mix, Concrete	8	1988
Chaney Lumber Co.	Commercial, Kiln Drying & Millwork	40	1951
Cumberland Forest Product Co.	Custom Plywood & Veneer Kitchen cabinets, Furniture & desks	19	1952
Custom Woodworks London	Wooden moldings & trim	5	1984
Dixie Truss, Inc.	Roof & floor trusses	20	1963
Dog Patch Printing	Offset Printing & Staple	3	1994
Duke Publishing, Inc.	Web Printing, computerized Typesetting & saddle Stitch binding	15	1998
Durham Printing, Inc.	Commercial letterpress & Offset printing; glue, Spiral, comb, side & saddle Stitch binding	5	1985
E & C Webb Printing Inc	Commercial Offset Printing	4	1987
FB Electronics	Flashing arrow signs, impact Attenuators, metal & Electronic airplane flashers		
Flav-O-Rich, Inc	Milk processing, ice cream Mixes, etc.	186	1964
Frances Custom Cabinets	Custom Kitchen, bath, entertainment & laminated cabinets Vanities, counter tops	1	1990
Greer & Sons	Asphalt Products	4	N/A
Highland Diversified Services	Subcontract assembly	9	1994
Independent Concrete Pipe, Co.	Concrete pipe & precast Manholes	18	1956

Jasper Iron & Metal Co	Secondary smelting	40	1974
Jones, Leo & Son Heating	Duct Work & sheet metal Fabricating	14	N/A
Ken-Al Co. Inc.	Telescopic Cranes	3	
Kerns Earthgrains, Inc.	Breads	200	1948
Laminated Timbers Inc	Structional Laminated	50	1960
Laurel Cookie Factory	Cookie, Crackers	220	1995
London Church Furniture	Church Furniture	27	1967
London Rotary Forms, Inc.	Custom Business Forms Commercial Printing	65	1982
London-Laurel News	Newspaper publishing	11	N/A
McKnight Machine Shop	Sheet metal fabricating	5	1982
Moore Signs, Inc	Plastic Illuminated Signs/Billboards	3	1949
Morgan Motor Services, Inc.	Rebuilt Small Gas & Ind. Engines	6	1960
Mrs. Smiths Bakery	Pies, doughnuts & honey buns	350	1953
NU-Legend Mfg.	Boats	4	N/A
NU-Way Mfg.	Forging iron & steel	18	N/A
Patterson Chip Co.	Wood Chip Products	43	N/A
Robinson Cooperage Co.	Whiskey Barrels	50	N/A
Robinson Stave Co.	Wood Pallets	45	N/A
Robinson Woodworking	Dimension Wood Products	75	N/A
Robinson Sausage Co.	Pork Processing	20	N/A
Salem Tool Co.	Coal mining equipment	25	N/A
Sentinel Echo	Newspaper	17	1873
Signs & Designs	Billboards & banners	1	1993
Southern Metal Mfg.	Metal doors	20	N/A
Stidham Cabinet	Kitchen cabinets	22	N/A
Superior Printing	Off set printing	1	N/A
Therm-O-Disc, Inc.	Electrical switches, thermal Cutoff & thermostats	325	1973
Thomas Concrete Pro.	Ready-Mixed concrete	10	1996
Tri-County Concrete Products	Concrete Products Drain & Culvert tile	43	1946
Tri-County Ready Mix, Inc.	Ready mixed and precast Concrete, concrete spec.	45	1950
Turner, WC Lumber Co.	Rough & dimension lumber saw	6	1990
Van House of London	Van conversions & access	2	1977
Williams, Jeff Exhaust Tarp	Sheet Metal fabricating; arc & MIG Welding	2	1993
Woodco Printing	Commercial offset printing, Desktop publishing & Computer typesetting; Plastic & staple binning	3	1989

NOTE: N/A - Data not available.

SOURCES: Kentucky directory of Manufactures published by Harris InfoSource in cooperation with the Kentucky Cabinet for Economic Development, Division of Research; London-Laurel County Industrial Development Authority.

SELECTED INDUSTRIAL SERVICES

<u>Types of Services</u>	<u>Location</u>	<u>Mileage from London</u>
Custom Data Processing	London, Kentucky	0
	Barbourville, Kentucky	17
Custom Plastic Producers	Mt. Vernon, Kentucky	36
	Middlesboro, Kentucky	37
Electric Motor Repair	Corbin, Kentucky	12
Grinding, Precision & Tool	Richmond, Kentucky	40
	Lexington, Kentucky	87
Heat Treating Facilities	Richmond, Kentucky	40
Industrial Equipment & Supplies	Richmond, Kentucky	40
	Knoxville, Tennessee	98
Industrial Gases	Corbin, Kentucky	12
Industrial Waste Removal	Corbin, Kentucky	12
Machine Shops, Tool & Die	Corbin, Kentucky	12
Metal Castings	Middlesboro, Kentucky	37
Metal Finishers	Richmond, Kentucky	40
Metal Service Centers	Richmond, Kentucky	40
	Knoxville, Tennessee	98
Millwrights	Knoxville, Tennessee	98
	Lexington, Kentucky	87
Public Warehouse Facilities	Danville, Kentucky	72

Sources: Kentucky Cabinet for Economic Development, Division of Research and Planning.

TRANSPORTATION

Highways

London is located two miles east of Interstate 75, a major north-south interstate system. In addition, London is served by U.S. Highway 25, 25S and 25N, 192, 80 and Daniel Boone Parkway which are "AAA"-rated (80,000-pound gross load limit) trucking highways. The Daniel Boone Parkway, a multilane toll road extending from London to Eastern Kentucky, via U.S. Highway 25.

HIGHWAY MILES FROM LONDON, KENTUCKY TO SELECTED MARKET CENTERS

City	Highway Miles	City	Highway Miles
Atlanta, GA	308	Los Angeles, CA	2,210
Baltimore, MD	588	Louisville, KY	149
Birmingham, AL	352	Nashville, TN	203
Chicago, IL	443	New Orleans, LA	696
Cincinnati, OH	154	New York, NY	755
Cleveland, OH	406	Pittsburg, PA	443
Detroit, MI	417	St. Louis, MO	410
Knoxville, TN	98		

Note: Mileage computations are via the best interstate or primary highways, not necessarily the most direct route of travel.

Sources: AAA MAP 'N' Go, DeLorme, 1998

Truck Service

Twenty-two trucking companies provide interstate and/or interstate service to London.

Source: American Motor Carrier Directory, Fall 1998.

RAIL

CSX Transportation provides main line rail service to London. The nearest intermodal facilities are available in Knoxville, 98 miles south of London, and are provided by the Norfolk Southern Corporation.

For details on routing, schedules, rates, and services contact:

Manager
Industrial Development
CSX Transportation
9420 Bunsen Parkway
Suite 212
Louisville, Kentucky 40220
(502) 499-3025

AIR

Local

Location: Magee Field
3 miles south-southeast of London, Kentucky
11 miles north of Corbin

Runways: 1 paved

Length: 6,000 feet

Traffic Control: Wind sock and FSS advisory service on 123.6

Lighting: Beacon, runway and obstruction lights, REIL, VASI Fuel-100 octane and jet-A; minor A & E repairs; tie-downs; aircraft rental, weather, flight training, charter and ambulance service, vending machines, taxi, car rentals

Air Freight Service: Air carriers accept air freight on a space available basis

Nearest Scheduled Commercial Airline Service

Location: Bluegrass Airport
4 miles west of Lexington, Kentucky;
75 miles north of London

Air Service: Delta, USAir, United Express, American Eagle, ComAir, TW Express, Atlantic Southeast Airlines, Northwest Airlink, Henson Airlines

Daily Arrivals & Departures: 192

Location: McGhee Tyson Airport
10 miles south of Knoxville, Tennessee;
106 miles south of London

UTILITIES

ELECTRICITY

Company serving London and central Laurel County- Kentucky
Utilities Company
Source of power - Kentucky Utilities Company - Jackson County
Rural Electric CC

For industrial rates contact:

Economic Development Department
Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
(606) 255-2100

Company serving major portions of Laurel County - Jackson
Energy Cooperation
Source of power - East Kentucky Power Cooperative
For industrial rates contact:

Industrial Development Division
East Kentucky Power Cooperative
P.O. Box 707
Winchester, Kentucky 40392-0707
(606) 744-4812

and/or
Jackson County Rural Electric
Highway 421 South
P.O. Box 307
McKee, Kentucky 40447
(606) 287-7161

NATURAL GAS

Company serving London and Laurel County - Delta Natural Gas
Company, Inc.
Source of supply - Wiser Oil Company and Columbia Gas
Transmission
For rates and supplies contact:

VP- Public and Consumer Affairs
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391
(606) 744-6171

PUBLIC WATER SUPPLY

Company serving London - City Utilities Commission
801 North Main Street
London, Kentucky 40741
(606) 864-2103

Source - Laurel Lake Impoundment
Treatment plant capacity - 3,000,000 gallons per day
Average daily consumption - 1,800,000 gallons
Peak daily consumption - 2,200,000 gallons
Storage capacity - 2,415,000 gallons
Water pressure - 65 psi to 120 psi

SEWERAGE

Company serving London - London Utilities Commission
810 North Main Street
London, Kentucky 40741
(606) 864-2103

Design capacity - 4,000,000 gallons per day
Average daily flow - 2,000,000 gallons
Type of treatment - Primary
Treated effluent discharged into - Whitley Branch/Little Laurel
River

CLIMATE

Temperature

Laurel County

Normal (127-year record)	58.80 degrees
Average Annual 1997	58.00 degrees
Record highest, September 1954	103.00
Record lowest, January 1985 (48-year record)	-24.00 degrees
Normal heating degree days (30-year record) (Heating degree day totals are the sums of negative departures of average daily temperatures from 65 degrees F.)	3,937
Normal cooling degree days (30-year record)	1,266

Precipitation

Normal (30-year record)	47.14 inches
Mean annual snowfall (30-year record)	13.40 inches
Total precipitation 1997	50.13 inches
Mean number days precipitation (.01 inch or more) (30-year record)	126.40
Mean number days thunderstorms (55-year record)	46.80

Prevailing winds (24-year record)

Southwest

Relative Humidity (30-year record)

1 a.m.	81 percent
7 a.m.	85 percent
1 p.m.	59 percent
7 p.m.	63 percent

NOTE: Heating degree day totals are the sums of negative departures of average daily temperatures from 65 degrees F. Cooling degrees day totals are the sums of positive departures of average daily temperatures from 65 degrees F.

Source: U.S. Department of Commerce, Environmental Science Services Administration, Climatological Data, 1997. Station of record: Knoxville, Tennessee.

LOCAL GOVERNMENT

STRUCTURE

The city of London is served by a mayor, and six council members. The mayor serve a four-year term and city commissioners are elected to two-year terms. Laurel County is served by a county judge/executive and Six magistrates both of which are elected to four-year terms.

PLANNING AND ZONING

Joint agency - London-Laurel County Joint Planning Commission
Zoning enforced - Within city limits
Subdivision regulations enforced - All areas of Laurel County
Local codes enforced - Building and housing within city limits
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

LOCAL FEES AND LICENSES

The city of London levies a business license fee on businesses operating within the city. The fees range from \$5 to \$800 annually. There is also a fee charged for an automobile sticker of \$15. Laurel County levies a 1.0 percent occupational license tax on wages, salaries and commissions of individuals employed within the county and on net profits of businesses.

SALES AND USE TAX

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and utilities services. Local sales taxes are not levied in Kentucky.

PROPERTY TAXES

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

EDUCATION

Area Colleges and Universities

<u>Name</u>	<u>Location (Miles distant)</u>	<u>Enrollment (Fall, 2000)</u>
Union College	Barbourville, Kentucky (19)	908
Cumberland College	Williamsburg, Kentucky (30)	1,702
Somerset Community College	Somerset, Kentucky (31)	2,387
Berea College	Berea, Kentucky (30)	1,590
Lincoln Memorial University	Harrogate, Tennessee (41)	1,701
Eastern Kentucky University	Richmond, Kentucky (40)	14,657
Centre College	Danville, Kentucky (52)	1,055
Hazard Community College	Hazard, Kentucky (65)	2,366
University of Kentucky	Lexington, Kentucky (87)	23,081
Transylvania University	Lexington, Kentucky (87)	1,091
Lexington Community College	Lexington, Kentucky (87)	4,588
Georgetown College	Georgetown, Kentucky (99)	1,595

NOTE: Miles are calculated as the straight-line distance from London, not road miles.

SOURCE: Kentucky Council on Higher Education.

VOCATIONAL TRAINING

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.

Bluegrass State Skills Corporation

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 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.

MEDICAL PERSONNEL

Physicians - 50
Dentists - 15

HOSPITALS

<u>General Hospital</u>	<u>Location</u>	<u>Beds</u>
Marymount Hospital	London	100

Medical Staff- 50 staff physicians, 75 registered nurses, 29 licensed practical nurses

OTHER MEDICAL FACILITIES AND SERVICES

Laurel County Health Department
Ambulance, Inc., of Laurel County
Baptist Regional Medical Center
Cumberland River Comprehensive Care Center
Psychiatric and Chemical Dependency Unit
of Baptist Regional Medical Center
Cumberland River Comprehensive Care Center
Dialysis Clinic

BANKS AND SAVINGS & LOAN ASSOCIATIONS

BB&T Bank
Cumberland Valley National Bank & Trust Company
Community Trust Bank
First National Bank & Trust
National City Bank
Manchester Bank
Laurel National Bank

NEWSPAPERS

Corbin Times Tribune (daily)
Sentinel Echo (bi-weekly)
News-Leader (weekly)

TELEPHONE SERVICE

Altell

RECREATION

LOCAL

Public recreation facilities available in London include a swimming pool, two mini-parks with playground equipment and picnic areas, six tennis courts, three baseball diamonds, seven outdoor basketball courts, four football field, and a park and fairgrounds area with a horse show ring, and recreation center along with Levi Jackson State Park. The city supervises Little League baseball and football programs and men's and women's softball leagues.

Facilities at the London Country Club include a golf course, swimming pool and two tennis courts. Other private facilities include a bowling alley, skating rink, miniature golf course, golf driving range.

Laurel River Lake, located in Whitley County, is a 5,600-acre lake that offers camping, fishing, boating and swimming. The park contains a 28-acre picnic area, picnic shelter, playground area, hiking trail, and rest room facilities. Grove Marina is also located on Laurel River Lake. The marina has 150 boat slips, full service marina, runabouts, houseboats, fishing boats, and pontoons available to rent.

The beautiful Cumberland Falls is located 35 miles west of London in the Cumberland Falls State Resort Park. The falls, which drops 68 feet over a rock precipice, shows one of only two known "moonbows" in the world. Little Eagle Falls, a mountain creek which tumbles 125 feet into the Cumberland River, is also part of the 1,794 acre park. The park offers lodge rooms, woodland suite cottages, camping, fishing, swimming, hiking, horseback riding, picnicking, tennis, backpacking, horse shows, shuffleboard, planned recreation, a playground, a dance pavilion and an amphitheater.

Pine Mountain State Resort Park in Pineville, 44 miles southeast from London, provides the finest in mountain scenery and the ultimate in quiet comfort. The 2,500 acre park is located in the Kentucky Ridge State Forest and is the scene of Mountain Laurel Festival each spring. Also featured is a 35 acre lake, 30 lodge rooms, seven rustic log cottages, a dining room, a gift shop, a meeting room, 36 camping sites, a lodge pool, fishing, a 9 hole golf course, hiking trails, a nature center, picnicking, playgrounds, shuffleboard, and planned recreation.

General Burnside State Park, 36 miles west of London is Kentucky's only island state park. Rising out of Lake Cumberland and surrounded by beautiful Kentucky mountains, the park offers excellent fishing, an 18 hold golf course which is open year round, a picnic area, a 150 site camping area for tents and recreational vehicles, a marina on the mainland near the park, and planned recreation.

Cumberland Gap National Historic Park is located 33 miles southeast of London near Middlesboro. The 20,270 acre park, located in Kentucky, Virginia and Tennessee, is the second largest national historic park in the United States. Features at the park include a frontier museum, Pinnacle Mountain, a restored mountain village an old iron furnace and caves.

The Nibroc Festival (that's Corbin spelled backwards) is observed in Corbin each summer and includes parades, folk music, square dancing, a midway and horse show, and the coronation of a queen. Arts and crafts, fun and coin shows, and old-fashioned bargain days are also a part of the festivities.

Laurel County is located in the southern portion of the Daniel Boone National Forest, which covers 640,000 acres of timberland in eastern Kentucky. It encompasses much of Kentucky's great beauty and provides a vacation paradise. There are scenic hiking trails, rivers and streams stocked with a variety of fish, hunting preserves, camping sites, and numerous other natural and historical attractions.

The World Chicken Festival is held annually in London during the month of September. This event draws many thousands of people to London each year. Laurel County is the home of the Harland Sanders Original Kentucky Fried Chicken Restaurant.

AREA (within 60 miles)

Cumberland Falls State Resort Park
Levi Jackson Wilderness Road State Park
Dr. Thomas Walker State Shrine
Pine Mountain State Resort Park
The Big South Fork National River and Recreational Area
Issac Shelby State Historic Site
General Burnside State Park
Cumberland Gap National Historic Park
William Whitley House State Historic Site

Bledsoe Enterprises, LLC Property
Off Moriah Church Road
London, Ky 40741

Mr. Donta Evans
Wood Creek Water Dist.
P.O. Box 726
London, Ky 40741



**Restricted Appraisal
Summary Report**

Mike Humfleet
Appraisal Service
325 Wildwood Ave.
London, Kentucky 40744

Phone: 606/864-4176
Fax: 606/878-5563
E-Mail
mikehumfleet@aol.com

The following is a
Restricted Appraisal
of
Bledsoe Enterprises LLC
52 Acres +-
Off Moriah Church Road
London, Ky 40741
as of the
25th of August 2006

Appraisal Summary

Subject Address: Off Moriah Church Road

City: London

County: Laurel

State: Kentucky

Zip Code: 40741

Census Tract: 9703

Map Reference: 21

Cost Approach Value: \$N/A

Income Approach Value: \$N/A

Sales Comparison Approach \$390,000
Value: (Vacant Land)

Owner: Bledsoe Enterprises, LLC

Buyer: Wood Creek Water Dist.

Client: Wood Creek Water Dist. Only

Appraiser: Mike Humfleet

Date of Inspection: August 4, 2006

Date of Appraisal Value: August 4, 2006

Final Estimate of Value: \$ 390,000

MIKE HUMFLEET
APPRAISAL SERVICE
325 WILDWOOD AVE.
LONDON, KY 40744
606/864-4176
Fax: 606/878-5563

August 25, 2006

Mr. Donta Evans
Wood Creek Water Dist.
P.O. Box 726
London, Ky 40743

RE: Appraisal of:
Bledsoe Enterprises, LLC
52 Acres +-
Off Moriah Church Road
London, Ky 40741

Dear Mr. Evans,

As requested, I have personally examined the Bledsoe Enterprises, LLC 52± acres by boat, land and aerial photos. Photo's, maps, deeds and other data that describe the tract are in the Exhibit Section of this report and will assist the reader in analyzing the report. The purpose of the appraisal was to estimate the market value "as is" of the subject property based on the market conditions prevailing on August 4, 2006. The Cost Approach and Income Approach will not be considered since the tract is vacant. The Sales Comparison Approach for land only will be considered in estimating the market value of the subject. There is no personal property (i.e., equipment, fixtures or intangibles) that is integral part of the property that is included in this report.

The appraisal will be used by Wood Creek Water District for internal decision making concerning a possible purchase of the 52 acres. It may not be distributed to or relied upon by other persons or entities without written permission of Mike Humfleet. The appraisers are not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

This a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2 (b) of the Uniform Standards of Professional Appraisal practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the appraisal reports. The appraiser is not responsible for unauthorized use of this report.

The following appraisal sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the *Uniform Standards of Professional Appraisal Practice* (USPAP), the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI Regulations and Mike Humfleet appraisal standards.

This report is restricted for use by the Wood Creek Water District only. No other persons may rely on this report or any conclusions in the report.

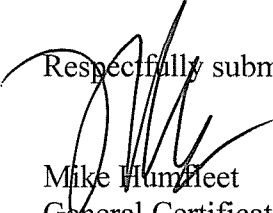
It is my opinion and conclusion that the market value of the fee simple estate of the subject land and proposed improvements as of the effective date of August 25, 2006 is:

THREE HUNDRED AND NINETY THOUSAND DOLLARS

(\$390,000)

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if Mike Humfleet Appraisal Service can be of further service, please contact our office.

Respectfully submitted,


Mike Humfleet
General Certification #0642
August 25, 2006

Certification Statement

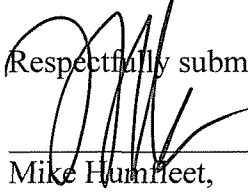
We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions.
- I have no present or contemplated future interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- I have made an exterior only inspection of the property that is the subject of this report.
- The Appraiser has established sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- my value was not based on a requested minimum value, a specific value or approval of a loan.

The appraisal report has been prepared in conformity with the Standards of Professional Appraisal Practice, and will be subject to the requirements of the Code of Professional Ethics which includes the provisions providing for peer review.

I have complied with the Uniform Standards of Professional Appraisal Practice Competency provision.

Respectfully submitted



Mike Humfleet,
General Cert. #0642
August 25, 2006

PROPERTY RIGHTS APPRAISED

The property rights herein appraised are fee simple. Fee simple ownership is defined as the best and highest level of ownership in real property, while fee simple ownership is the highest degree of ownership it does not guarantee the unrestricted exercise of the bundle of rights associate with real property ownership.

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 present use is compatible with the surrounding properties and the present use could qualify as the highest and best use.

SUMMARY OF SALIENT FACTS & CONCLUSIONS

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards rule 2-2 (b) of the Uniform Standards of Professional Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data reasoning and analysis is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of the report. The intended use is to assist in providing market value for internal decision making by the Wood Creek Water District for a possible purchase transaction.

Data for this report was from the attached legal description, maps, Donta Evans, PVA Office, Clerks Office and data in the appraisers' files.

EXECUTIVE SUMMARY

DATE OF REPORT: August 25, 2006

PROPERTY RIGHTS APPRAISED: Fee Simple Estate

PURPOSE OF APPRAISAL: Estimate fair market value of the fee simple estate for a possible sales transaction between Bledsoe Enterprises, LLC and Wood Creek Water District.

SITE DATA: 52 Acres of mostly rolling land located off Moriah Church Road near Hawk Creek Road in the western section of Laurel County. The tract has approximately 6,800 feet of shore line on Wood Creek Lake. Access is by a blacktop, gravel and dirt road. Public water and electric is available. Some marketable timber is on the property but no value is assigned since all comparable sales also have timber. Due to the proximity of Wood Creek Lake, logging could not be a feasible venture. A copy of the deed and map is in the Exhibit Section and affords a more detailed site analysis.

ZONING: None in Laurel County

CENSUS TRACT: 9703

CENSUS MAP NO.: 21

FEMA MAP #: 210134 0100 B Zone X, 11/2/1990

PROPERTY TAX ASSESSMENT: \$180,000

PVA MAP NO.: 036-00-00-121.00

PROPERTY TAX: \$1,419

MARKET TIME: Estimated market time is 6 – 24 months depending on marketing procedures.

MIKE HUMFLEET
CERT. #0642

**EXECUTIVE
SUMMARY
(contd')**

**LIMITED
CONDITIONS:**

The appraiser assumes no environmental hazards or unapparent conditions.

**HIGHEST AND
BEST USE:**

As Though Vacant – Possible Residential Development

As Improved – Possible Residential Development

**VALUE
INDICATIONS:**

Land Value Estimate: \$390,000

FINAL VALUE ESTIMATE

THREE HUNDRED AND NINTY THOUSAND DOLLARS

(\$390,000)

**MIKE HUMFLEET
CERT. #0642**

PURPOSE OF THE APPRAISAL:

The purpose of this report is to provide the appraiser's best estimate of the market value of the subject land and proposed improvements for internal decision making and possible purchase by the Wood Creek Water District as of the effective date, August 25, 2006. 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 this definition are 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 acting in what they consider their own best interests,
- 3) a reasonable time is allowed for exposure in the open market,
- 4) payment is made in terms of cash in 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 sale 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 adjustments should not be calculated on a mechanical dollar for dollar cost of the financing or concessions, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-Appraisals, 34.42 Definitions (f).

APPRAISAL DEVELOPMENT AND REPORTING PROCESS:

In preparing this appraisal, the appraiser

- * Visited the subject site from the lake and land.
- *Gathered information on comparable land sales near Wood Creek Lake and surrounding Lakes that would be considered competing neighborhoods.
- * Confirmed and analyzed the data and applied the sales comparison only since the subject is vacant.

To develop the opinion of value, the appraiser performed an appraisal summary report process, as defined by the Uniform Standards of Professional Appraisal Practice. This means that no departures from Standard 1 were invoked and comply with the reporting requirements set forth under Standards Rule 2-2 (b) of the USPAP.

This Summary Appraisal Report is a brief recapitulation of the appraiser's data, analyses and conclusions. Supporting documentation is retained in the appraiser's files.

**MIKE HUMFLEET
CERT. #0642**

SCOPE OF APPRAISAL

The scope of the appraisal requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Guide Notes to the Standards of Professional Appraisal Practice adopted by the Appraisal Institute. The standards contain binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion.

These uniform standards set the requirements to communicate the appraisers' analyses, opinions, and conclusions in a manner that will be meaningful and not misleading in the marketplace. The scope of the assignment further requires compliance with the American Bank requirements in their letter of November 31, 1991.

A narrative appraisal report on the subject property has been prepared. The subject property data such as size, location, quality, and zoning are considered and presented in this report.

Market data, including land sales of tracts located near or on a lake that would be considered the subjects market area were analyzed in order to determine the comparable sales.

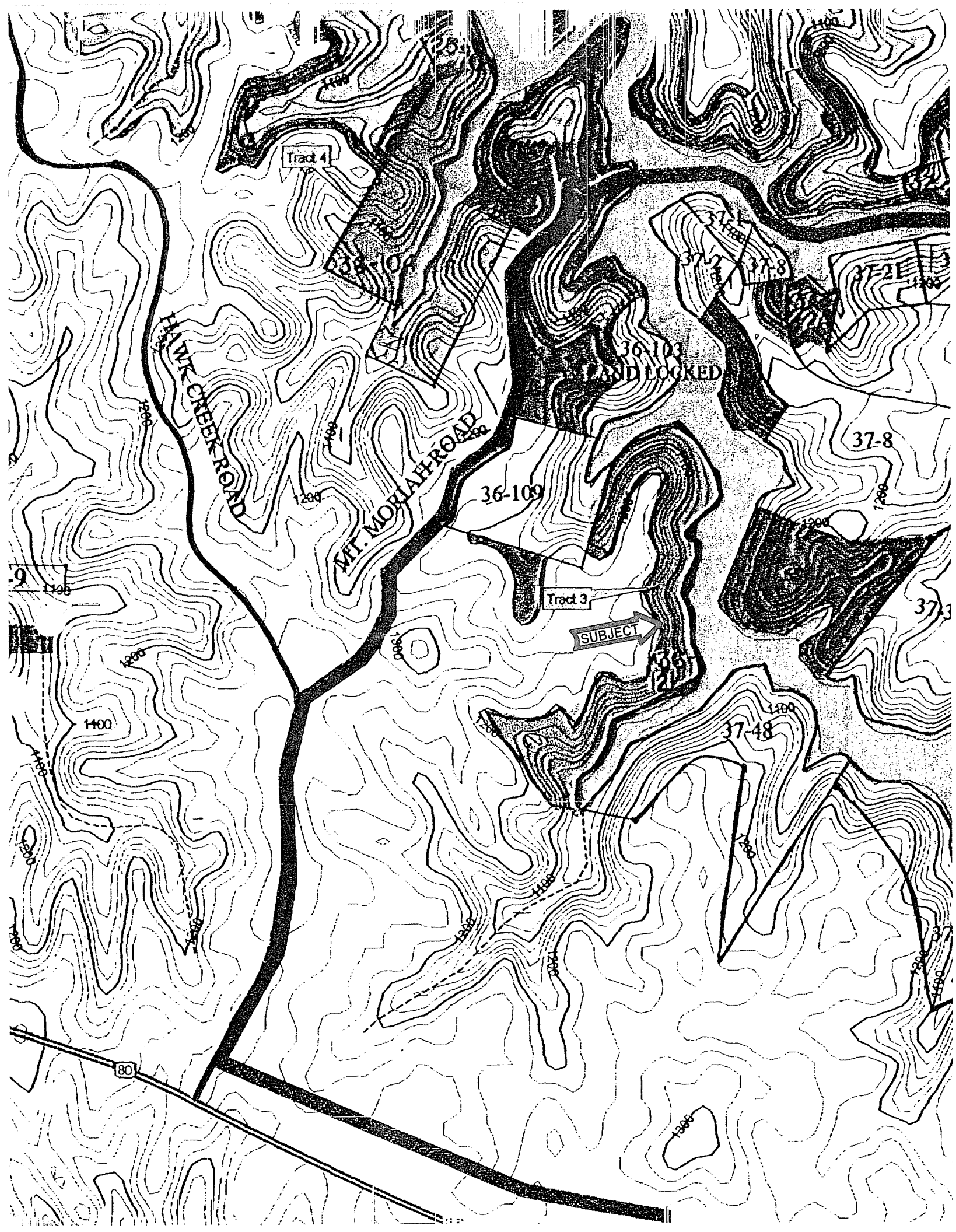
The data is used to consider the highest and best use of the subject property and to estimate the market value.

The appraisers lack the knowledge and experience with respect to the detection and measurement of hazardous substances. Therefore, this assignment does not cover the presence or absence of such substances as discussed in the General Underlying Assumptions section.

However, any visual or obviously known hazardous substances affecting the property will be reported and an indication of its impact on value will be discussed.

The documentation necessary to arrive at the value is considered in this appraisal report. The market data has been collected, confirmed, and analyzed. Comparable sales were chosen for their similar highest and best uses as outlined within the report. All sales were analyzed and compared to the subject property base on their similarities and dissimilarities.

**MIKE HUMFLEET
CERT. #0642**



Tract 4

HAWK CREEK ROAD

MT. MORIAH ROAD

36-109

Tract 3

SUBJECT

36-103

LAND LOCKED

37-8

37-3

37-48

80

9

1400

1100

1200

1200

1400

1000

1400

1300

1200

1400

1600

1300

1400

1500

1600

1700

1800

1900

2000

2100

2200

2300

2400

2500

2600

2700

2800

2900

3000

3100

3200

3300

3400

3500

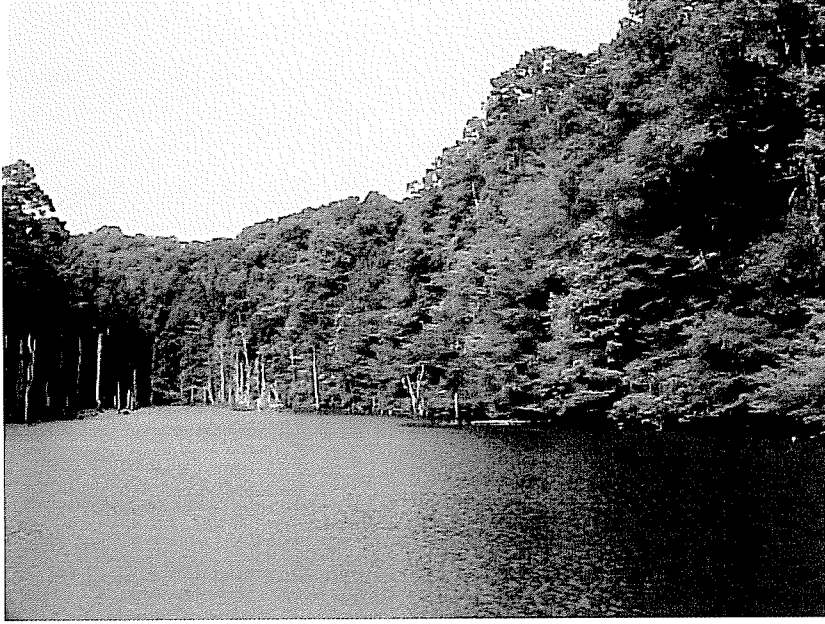
3600

3700

3800

3900

SUBJECT PHOTOS



LAKE VIEW



OWNERSHIP HISTORY

PROPERTY ADDRESS: Off Moriah Church Road, London, Ky 4074141
DATED: September 5, 2005
GRANTOR: SWW, LLC
GRANTEE: Bledsoe Enterprises, LLC
RECORDED: Laurel County Court Clerks Office, London, Ky
DEED BOOK: 610 Page162
LAND SIZE: 52 ± acres

SEE ATTACHED DEED AND PLAT IN THE EXHIBIT SECTION.

Research of the applicable public records, private data services and an interview with Donta Evans revealed that the 52+ acres are under an option to purchase for \$384,000. A copy of this document is in the Exhibit Section. There have been no other transfers of the subject property during the past five (5) years except those listed.

INTEREST VALUED: Fee Simple Estate
EFFECTIVE DATE OF VALUE: August 4, 2006
DATE OF REPORT: August 25, 2006
DATE OF INSPECTION: August 4, 2006

CONTINGENT AND LIMITING CONDITIONS: The appraiser's 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 will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraisers assume 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.

2. 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.

3. 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. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. Any appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.

5. 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.

6. 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 inspection of 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, express or implies, regarding the conditions 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. Because this 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 property is appraised to be free of environmental contamination.

7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she 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.

8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

10. The appraiser must provide his or her 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; and 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

MIKE HUMFLEET
CERT. #0642

**APPRAISER'S CERTIFICATION: AS REQUIRED BY STANDARDS RULE 2-3
THE APPRAISER CERTIFIES AND AGREES THAT:**

1. I have taken into consideration the factors that have an impact on value with ret to the subject neighborhood, subject property and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property. 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.
2. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions and conclusions, which are subject only to the contingent and limiting conditions specified in this appraisal report.
3. I have no present or prospective interest in the property that is the subject to 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 or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
4. 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.
5. 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. We did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
6. 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. We 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 we developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.
7. I have personally inspected the subject property by boat, car, map and aerial photo and all comparable's by map and aerial photo. I further certify that I have noted any apparent or know 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 have market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

8. I personally inspected most of the 52 acres by boat, car and aerial maps and the comparable sales by aerial maps and photos. I further certify that I 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 report.

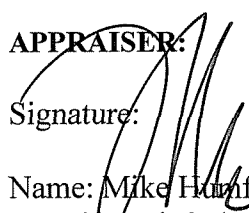
9. I researched, verified, analyzed and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the five years prior to the effective date of this appraisal, and the prior sale of the subject property for a minimum of five years prior to the effective date of this appraisal, unless otherwise indicated in this report.

10. 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, the final value is null and void.

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 inquires 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.

ADDRESS OF PROPERTY APPRAISED: Off Moriah Church Road, London, Laurel County, Ky 40741

APPRAISER:

Signature: 

Name: Mike Humfleet

Date Signed: 08/25/2006

State Certification #0642

State: Kentucky

Expiration Date of

Certification: June 30, 2007

GENERAL UNDERLYING ASSUMPTIONS & LIMITING CONDITIONS

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client or for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

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 for an opinion of legal nature, such as to ownership of the property or condition of title. Title to the property is assumed to be good and marketable unless otherwise stated in this report. Any sketches in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report.

The property is appraised for free and clear of any or all liens and encumbrances unless otherwise stated in this report. Responsible ownership and competent property management are assumed unless otherwise stated in this report. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

It is assumed that the utilization of the land and improvements, if any are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability or utility.

Unapparent Conditions:

The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or

**MIKE HUMFLEET
CERT. #0642**

other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observation made during the appraisal process.

The appraiser assumes no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substances or for loss as a result of the presence of such substances. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and less unless otherwise stated in this report. 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 and data:

Information, estimates, and opinions furnished to the appraisers and contained in the report, were obtained from source considered reliable and believed to be true and correct. However no responsibility for accuracy of rental information can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitude have been disregarded unless so specified within the appraisal report. 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 has been stated, defined and considered in the appraisal report.

It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any 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 estimates contained in this are based.

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.

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, or a copy thereof, 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 any 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. It may not be used for any purpose by any person

other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

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, news 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 concurrence impact studies were either requested 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 concurrence 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.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that (1) the equity cash 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 Mike Humfleet Appraisals 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 appraiser within 30 days of the delivery of the report.

**MIKE HUMFLEET
CERT. #0642**

Location Analysis

The property is located between the shores of Wood Creek Lake and Moriah Church Road, London, Laurel County, Ky. Exit #41 of I-75 and Highway West 80 is approximately 7 miles east of the subject and downtown London is approximately 9 miles east. Main access is supplied by the Russell Dyché Parkway, Somerset Road, Hawk Creek Road and Moriah Church Road. The general location is considered an average recreational section of the Wood Creek Lake neighborhood. **SINCE MR. EVANS IS VERY FAMILIAR WITH THE PROPERTY, A DETAILED ANALYSIS OF THE TRACT IS NOT CONSIDERED NECESSARY.**

NEIGHBORHOOD DESCRIPTION AND MARKET AREA

A neighborhood is defined on Page 172 in *Real Estate Appraisal Terminology*, (Byrl N. Boyce, editor) as:

“A portion of a larger community, or an entire community, in which there is a homogeneous grouping of inhabitants, buildings, or business enterprises. Inhabitants of a neighborhood usually have a more than casual community of interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well-defined by a distinct change in land use or in the character of the inhabitants.”

Location and Boundaries

The subject property is located on the shores of Wood Creek Lake. Please refer to the maps and deeds in the Exhibit Section of this report. Most improvements in the neighborhood are single family homes that are used year round with cabins that are occupied on weekends or during vacation times. The general boundaries would be Swiss Colony, North London and the Highway West 80 corridor which extends from Hal Rogers Highway on the east, East Bernstadt on the North and London on the south.

London and Laurel County have attributes that make it attractive for retail and industry that targets the stable predominantly manufacturing and retail based population. The area is geographically situated in a local that favors company's excellent access to many of the country's largest metropolitan markets. The infrastructure, availability of labor and support services is good for rural Kentucky Counties. Data suggests that the area will maintain a stable to increasing population level. The area's long term growth is expected to mirror the high growth areas located in the urban areas of the state. Also the City of London has just recently been voted wet; this has had a positive economic effect on the area.

The build up on the north Interchange is made up of businesses that cater to the traveling public that include motels, restaurants, services stations and banks. Due to Hal Rogers Parkway, U.S. 25-South and the city of London being located to the southeast of the subject, the location is important from both commercial and recreational stand points. The growth in the northern portion of London City Limits/Laurel County should continue as demand develops especially since the City of London has been voted wet.

Lifestage and Development Trends

There are four stages normally associated with the life of a neighborhood. They are categorized as growth, stability, decline and revitalization. The subject neighborhood could be categorized as being in the stable to growth stage of development with new construction and renovation of existing properties in London, Laurel County area.

Financing

The Wood Creek neighborhood would be considered a desirable location for most types of homes and especially recreational type cabins, A-frames and homes. Financing should be available for the subject as one tract or as a subdivision. Naturally, the credit worthiness of the borrower and other factors regarding the ability to repay the loan would have to be considered. It has been indicated by local lenders that because of the location of the neighborhood and other economic factors, loan-to-value ratios and interest rates would be as favorable.

Utilities

Utilities available and provided as follows: Jackson Energy, Wood Creek Water and Alltel Phone Service. Additional services also include fire and police protection by the Laurel Co. Fire Departments and with the Laurel County Sheriff Department and Kentucky State Police.

Accessibility of the Neighborhood

The major streets in the neighborhood are rather narrow with most being blacktop and county maintained and some gravel or dirt. This is not uncommon for tracts near or on Wood Creek Lake and overall, the accessibility of the subject neighborhood is typical of many tracts on Wood Creek Lake and Rural Laurel County.

Detrimental Influences

Detrimental influences consist of those items which tend to adversely affect the marketability of typical neighborhood properties. The neighborhood is not zoned but most homes are in good to average condition and would be compatible with homes that may be constructed on the subject.

Conclusion

This neighborhood is generally regarded as residential with a strong influence towards recreation due to the lake. Currently growth and property values are increasing due to an increase in building activity on the lake. Cliffs Edge Development on the lake is seen a dramatic increase in lot sales in the past two years. No detrimental influences were noted and these trends and attributes are expected to continue in the near future.

GENERAL AREA DATA

Population and Geography

Laurel County, located in Southeastern Kentucky, near the eastern edge of the Daniel Boone National Forest. London is uniquely situated on the boundaries of Laurel, Whitley and Knox Counties and has a land area of 436 square miles. London is the County seat of Laurel County, is located 87 miles southeast of Lexington, Kentucky; 165 miles south of Cincinnati, Ohio and 86 miles north of Knoxville, Tennessee.

Laurel County is positioned in the Daniel Boon National Forest and Eastern Coal Field Region. The Laurel County has had steady growth, focusing on industrial development and expansion. The historical, current, and future population estimates are as follows. The London Labor Market Area includes Laurel County, and the nearby Kentucky Counties of Laurel, Knox, Whitley, Clay, Pulaski, Jackson, Bell, and Rockcastle.

Population					
	1999	2000	2001	2002	2003
Labor Market Area	329,027	331,578	335,214	337,383	N/A
London	7,523	5,692	7,433	7,527	N/A
Laurel Co.	52,015	52,715	53,691	54,313	N/A

Source: U.S. Department of Commerce, Bureau of the Census
* Estimated

Population Projections				
	2005	2010	2015	2020
Labor Market Area	353,592	374,298	394,389	413,925
Laurel Co.	58,091	63,370	68,810	74,334

Source: University of Louisville, Urban Studies Center, State Data Center

As indicated on the grids above, the London area realized modest to level growth from 1999 to 2002. The population of Laurel County has grown in stable growth patterns. Currently, the population is expected to increase at about 1% per year. This is slightly higher than the state's overall average. The growth is due to London continuing growth in industrial development and continuing expansion of the Somerset Community College Extension and the continuing of new factories being relocated in Laurel County. At present the area is expected to have several new factories relocating to Laurel County, one next to the Asisn Plant at Lily and two in the industrial park on West 80.

The Economic Framework

Labor statistics for the area are as follows.

Labor Force Characteristics of Residents 2002		
	Laurel Co.	Labor Market Area
Civilian Labor Force	25,115	147,178
Employed	23,121	138,470
Unemployed	1,994	8,708
Rate of Unemployment	7.9%	5.9%
Source: U.S. Department of Labor, Bureau of Labor Statistics		

Labor Force By Sector, (2000)				
Sector	Laurel County	Percentage	Labor Market Area	Percentage
All Industries	22,147	100%	111,744	100%
Mining & Quarrying	93	0.42%	1,567	N/A
Manufacturing	4,789	21.62%	22,650	20.27%
Wholesale and Retail Trade	6,946	31.36%	29,003	25.95%
Service	4,859	21.94%	28,659	25.65%
Transportation & Utilities	1,039	4.69%	5,364	4.80%
Finance, Insurance, and Real Estate	594	2.68%	3,071	2.75%
State/Local Government	678	3.06%	3,742	N/A
Contract Construction	1,241	3.00%	4,005	3.58%
Other	11	0.05%	N/A	N/A
Source: U.S. Department of Labor				

Per Capita Personal Income			
Area	1996	2001	Percent Change
Laurel County	\$16,322	\$21,084	29.2%
Labor Market Area	\$11,417 - \$17,593	\$14,553 - \$22,013	--
Kentucky	\$19,957	\$24,875	24.7%
U.S.	\$24,270	\$30,413	25.3%
Source: U.S. Department of Commerce			

As indicated on the previous grids, the area has low unemployment rates. Personal incomes are lower than the state and national averages. However, incomes have been rising at a faster pace. The area has an even blend of wholesale and retail trade, manufacturing, services, and government employment.

Transportation

CSX Transportation provides main line rail service to London and Corbin. Interstate 75, a major north-south highway corridor, directly serves London and Corbin with two interchanges just west of the downtown area. London is on the Daniel Boone Parkway, a multi-lane, which extends from London on the east. U.S. Highway 25 and Kentucky 80, both AAA-rated trucking highways, also serve London. Twenty-two trucking companies provide interstate and/or interstate service to London. The Magee Field, a local airport located three miles south of London, Has 6,000 foot paved runway. Scheduled commercial airline service is available at the Blue Grass Airport near Lexington, Kentucky, 75 miles north of London.

Government

The city of London is served by a mayor, and six council members. The mayor serve a four-year term and city commissioners are elected to two-year terms. Laurel County is served by a county judge/executive and six magistrates both of which are elected to four-year terms.

Planning and zoning is established by the London- Laurel County Joint Planning and zoning is enforced within the city limits. Subdivision regulations are enforced in all of Laurel County, Local building and housing codes is enforced in the city limits.

Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

SITE DESCRIPTION

All land appears to be adequately drained with no known poor soil conditions. Routine inspection of the subject and nearby areas disclosed no unusual adverse conditions affecting the land, but no responsibility is accepted for discovering or evaluating subsoil, hidden or unusual conditions. General Underlying Assumptions at the beginning of the appraisal cover unapparent conditions of the property. Photographs and maps in the report will aid the reader in visualizing the subject property.

The appraiser is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, waste, 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 appraiser assumes no responsibility of studies or analyses which would be required to conclude the presence or absence of such substances or loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. However, the personal surface site inspection by the appraiser did not indicate the presence of hazardous materials or contaminants.

A DETAILED SITE DESCRIPTION WAS NOT CONSIDERED NECESSARY SINCE MR. EVANS IS VERY FAMILIAR WITH SUBJECT PROPERTY AND MOST TRACTS THAT BORDER OR ARE NEAR WOOD CREEK LAKE.

INSPECTION CHECK LIST

	Yes	No	N/A
1. Visual inspection of subject property and surrounding area as of 08-04-06	<u> X </u>	<u> </u>	<u> </u>
2. Site visit made 08-04-06	<u> X </u>	<u> </u>	<u> </u>
3. History of ownership and prior use of subject site known, reviewed and satisfactory	<u> X </u>	<u> </u>	<u> </u>
4. Proposed operation will use or create hazardous or toxic materials	<u> </u>	<u> X </u>	<u> </u>
5. Asbestos used in construction of building	<u> </u>	<u> </u>	<u> N/A </u>
6. Ponds, pits or lagoons with suspicious contents	<u> </u>	<u> X </u>	<u> </u>
7. Leaking pipes, electrical transformers, tanks, barrels or containers, nontoxic fumes	<u> </u>	<u> X </u>	<u> </u>
8. Absence of vegetation or presence of sickly vegetation or wild life	<u> </u>	<u> X </u>	<u> </u>
9. Area inspection for hazardous materials used or created by their operation, suspicious ponds, pits or lagoons, nontoxic fumes	<u> </u>	<u> X </u>	<u> </u>
10. Observed storage tanks and or storage drums	<u> </u>	<u> X </u>	<u> </u>
11. Absence of vegetation where it should be expected or presence of sickly vegetation or wildlife	<u> </u>	<u> X </u>	<u> </u>

**SITE DESCRIPTION
(Contd.)**

The review of the Flood Hazard Map shows the subject property is not in a flood prone area. The subject property is found on Flood Insurance Rate Map No.2101340100 B, Zone X, and November 2, 1990. The flood map is located in the exhibit section.

Zoning

No zoning in Laurel County. Restrictions as per building within 300' of the shore line, docks etc. are in place and enforced.

REAL ESTATE ASSESSMENTS AND TAXES

The property is under the assessment and taxing jurisdiction of Laurel County. According to a representative of the local assessor's office, the property taxes can be estimated in the following table.

TOTAL ASSESSED VALUE OF THE 52+ ACRES

2005 Tax Liability Estimate						
Map #	Address	2005 Assessment	x	2005 Tax Rate	=	Tax Liability
036-00-00-121.00	Moriah Ch. Rd. London, Ky	\$180,000	x	\$7.885	=	\$1,419

TOTAL TAX LIABILITY\$ 1,419

According to the local property appraiser's office, no significant increase in the assessed value or tax rates should be anticipated in the near future.

HIGHEST AND BEST USE

The highest and best use definition is included at the beginning of the report in the Important Definitions section. The physical characteristics of the land such as size, shape, location, and topography have been considered. In addition, the analysis has included the surrounding developments, existing zoning, and access to major transportation routes, availability of utilities, current trends, and demand for property of this type in the real estate market.

The land value is based on the premise of the highest and best use "as though vacant". There are four tests which are taken into consideration in developing an opinion of highest and best use.

These four tests include an examination of those uses that are physically possible, legally permissible, financially feasible, and maximally productive. Each criterion is considered cumulatively and provides the best analysis for the highest and best use of the land. The following is the highest and best use of the subject site "**as though vacant**".

Physically Possible

The subject site has more than adequate frontage on Wood Creek Lake, 6,800 feet, and is of sufficient size, 52 acres, for a residential subdivision. Water, electric and streets would be easily installed and would enhance the development.

Legally Permissible

The tract is located in Laurel County which has no zoning. There are no restrictions found in the deed that would not permit development of the subject property for residential purposes. Restrictions do apply as the building or septic tank installation within a certain distance of the lake.

Economically Feasible Use

The economic feasibility of improving any parcel of land is directly related to its physical features, as well as the local area real estate market. As discussed under physically possible uses above, there are no specific subject characteristics that may have a detrimental impact on the development feasibility of the property. As indicated in the Neighborhood Description and General Area Data, the real estate market in this area is growing steadily. As a result, the demand for average properties is stable to active, and consequently so are property values in general.

The lack of available lots on Wood Creek Lake and the stable condition of the Laurel County Real Estate Economy would enhance the feasibility of a residential development on the 52 acres.

Most Productive Use

In determining the most productive use of the property, as though vacant, primary consideration was given to neighborhood development trends, with zoning requirements and the most economically feasible uses supported by the local market. If the site were vacant, it would more than likely be purchased by a developer that would subdivide the tract for residential purposes.

HIGHEST AND BEST USE "AS VACANT"

The highest and best use of the subject land "as though vacant" would be for a residential development. All criteria concerning highest and best use are confirmed in this report.

HIGHEST AND BEST USE AS IMPROVED

The highest and best use as improved would be for single family year round homes or recreational homes used during summer or week end times.

MAXIMUM PRODUCTIVITY

The subject conforms to the physical and economic characteristic of the neighborhood. No alternative legal use could economically justify the improvements. Therefore, the subject property "as improved" would be as a residential development.

MARKETABILITY

The subject property is a 52 acre tract with 6,800' of shore line. This would tend to enhance the marketability due to direct access of the water lots and several lots with excellent lake views. The balance of the 52 acres would have forest views and be within easy proximity of the lake.

MARKETING PERIOD

Recent sales were noted in the subject's immediate vicinity to help identify the normal marketing period for properties similar to the subject. Conversations with investors, property owners, and real estate agents in the neighborhood revealed marketing is often by listings on the local MLS or word of mouth and transactions occur without advertising. The Wood Creek neighborhood and the Laurel County area in general is perceived by investors to be a unique investment return through anticipation of long term holding and investment return through appreciation in property value. As such, properties like the subject may be purchased for investment for their anticipated appreciation in value over time.

Interviews and Realtors and sellers in the market indicated sales taking place within a six to twelve month range if the 52 acres is sold a whole and several years if the tract is subdivided into one acre lots.

VALUATION ANALYSIS

In estimating the market value of the subject property, the cost, income capitalization, and sales comparison approaches are typically considered. Since the subject is a vacant tract, the only approach to value will be the sales comparison approach for vacant land. All sales used are similar in amenities such as views, water frontage and distance to all amenities. The Lowell Gray sale is on Wood Creek Lake and many of the additional sales are on Lake Cumberland and are considered comparable due to lake access. All sales were viewed by maps, and aerial photos. Additional sales data is in the appraisers files and can be produced upon request.

COMPARABLE LAND SALES SUMMARY AND ADJUSTMENT GRID

Elements/Units of Comparison	SUBJECT	Comparable #1	Comparable #2	Comparable #3	Comparable #4
Address	Moriah Church Road London, Ky	Allen Lewis Road London, Ky	Hwy 90 Monticello	Chelsea Road Russell Springs, Ky	Old Mill Springs Road Somerset, Ky
Grantor	NA	Bill Wheeler et al	Eugene Burnett	Jeffrey Popplewell, Trustee	Landmark Ventures, LLC
Grantee	NA	Lowell & Tommie Lynn Gray	Donnie Gregory et al	Walter Martin	Millenium Holding Group
Sale Date	Pending	June 16, 2006	January 10, 2006	July 28, 2004	December 30, 1999
Sale Price	\$384,800	\$55,000	\$2,300,000	\$400,000	\$230,000
Deed Book / Page	N/A	Appraisal Files	314 492	227 113	Contract
Land Area (Acres)	52 Acres	19 67 Acres	412 Acres	47 79 Acres	78 22 Acres
Property Interest	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Zoning	None/County	None/County	None/County	None/County	None/County
Highest and Best Use	Subdivision	5 Acre Tracts	Sub/Tracts	Subdivide	Subdivide
Utilities	Water/Elec	Same	Same	Same	same
Sale Price / Usable Acre	\$7,400	\$2,796	\$5,582	\$8,370	\$12,500
ADJUSTMENTS					
Property Rights Conveyed	Fee Simple	Similar 0%	Similar 0%	Similar 0%	Similar 0%
Adjusted Price		\$2,796	\$5,582	\$8,370	\$12,500
Financing	N/A	Conventional 0%	Conventional 0%	Conventional 0%	Conventional 0%
Adjusted Price		\$2,796	\$5,582	\$8,370	\$12,500
Conditions of Sale	Cash to Seller 0%	Cash to Seller 0%	Cash to Seller 0%	Cash to Seller 0%	Cash to Seller 0%
Adjusted Price		\$2,796	\$5,582	\$8,370	\$12,500
Water Frontage	6,800 Feet 0%	1,030 25%	5,000 10%	650 35%	2,400 15%
Adjusted Price		\$3,495	\$6,140	\$11,300	\$14,375
Market Conditions (Time)	Stable/Increasing	Stable 0%	Stable 0%	Stable 0%	Stable 0%
Time Adjusted Unit Price		\$3,495	\$6,140	\$11,300	\$14,375
Location	Wood Creek Lake	Wood Creek Lake	Lake Cumberland	Lake Cumberland	Lake Cumberland
Physical Characteristics Size / Shape	52 Ac/Irregular	19 67 Ac/Irregular	412 Ac/Irregular 20%	47 79 Ac/Irregular	78 22 Ac/Irregular
Topography	Rolling	Steep 25%	Rolling 0%	Rolling 0%	Rolling 0%
Economic Characteristics	Recreational	Similar 0%	Similar 0%	Similar 0%	Similar 0%
Utilities / Zoning	Water/Elec No Zoning	Similar No Zoning	Similar No Zoning	Similar 0%	Similar 0%
Non-Really Components of Value	None	Similar	Similar	Similar	Similar
NET % ADJUSTMENTS AFTER TIME INDICATED UNIT VALUE		25% \$4,369	20% \$7,368	0% \$11,300	0% \$14,375
ANALYSIS OF VALUE INDICATORS					
		Before Adjustments		After Adjustments	
			\$7,312	\$9,353	
			\$3,585	\$3,801	
			0.49	0.41	
			\$12,500	\$14,375	
			\$2,796	\$4,369	
SUBJECT VALUE:					
Subject Usable Acres	52.000	Acres @	\$7,500	/ Acre =	\$390,000
				RTO	\$390,000

LAND SALES COMMENTS

Sale #1 is located on Wood Creek Lake and is inferior in topography, road access and subdivision possibilities. Sales #2, #3 and #4 are located on Lake Cumberland, a competing area. Wood Creek is restricted to fishing and boating with small engines. The Lake Cumberland tracts are open to skiing, swimming, speed boats, jet boats etc. After conversations with many land and home owners on Wood Creek it is the opinion of the appraiser that the restrictions do not have a great impact on value or marketability. Most if not all would rather have a peaceful lake for their home site. If skiing and speed boating was desired, the distance to Lake Cumberland is 25 miles and Laurel Lake 15 miles. In other words the Wood Creek residents would have the best of both worlds. Due to these factors, no adjustments' were made for water use restrictions.

Sale #4 is a pending sale. Sale #2 had a prior sale on June 10, 2005 in DB 311 PG 004 for \$2,000,000. This indicates a growing market for lake front property.

LAND VALUE ESTIMATE RECONCILIATION

In conclusion, the above sales were given similar consideration in the valuation of the subject land. The reflected adjusted per acre value ranging from \$5,487, \$7,368, \$13,476 to \$18,000.

Therefore, by considering all factors the subject land is estimated to be in the lower range of value to reflect a value of \$7,500 per acre. The market value of the fee simple estate of the subject land is calculated as follows:

$$52+ \text{ acres @ } \$7,500 = \$390,000$$

THREE HUNDRED AND NINTY THOUSAND DOLLARS

(\$390,000)

**EXHIBIT
SECTION**

1320758

610
162

DEED transfer tax \$90.00

THIS DEED is made and entered into on this the 2nd day of September, 2005, by and between SWW, LLC, whose address is PO Box 1626, London, KY 40743, party of the first part and BLEDSOE ENTERPRISES, LLC, whose address is 360 N. Main Street, London, KY 40741, party of the second part.

WITNESSETH: That for and in consideration of the sum of Ninety Thousand and 00/100 (\$ 90,000.00), cash in hand paid, the receipt of which is hereby acknowledged, the party of the first part does hereby grant, sell, and convey unto the party of the second part, its successors and assigns, the following described property, viz: A certain tract or parcel of land lying and being in Laurel County, Kentucky and being part of the property the first party acquired by deed dated the 14th day of December, 2000 from Marshall Phillips and Bobbie Phillips, husband and wife, of record in Deed Book 521 at page 406, records of the Laurel County Court Clerk's office and being more particularly described as follows:

BEGINNING on a Ash tree on the Wood Creek Lake 1030 Elevation Line; thence with said 1030 elevation line N. 80-10 W. 169.41 feet to a hemlock tree, N. 35-37 E. 271.04 feet, N. 00-02 E. 91.96 feet, N. 44-35 E. 127.83 feet, N. 80-49 E. 174.25 feet, N. 47-38 E. 455.05 feet, N. 39-28 E. 541.35 feet, N. 02-19 W. 116.91 feet, N. 37-10 W. 116.90 feet, N. 73-16 W. 121.06 feet, N. 03-45 W. 579.17 feet, N. 20-38 W. 74.21 feet, N. 62-58 W. 147.74 feet, N. 70-33 E. 176.21 feet, N. 30-59 E. 383.90 feet, N. 07-43 W. 157.17 feet, N. 36-44 W. 199.98 feet, N. 24-33 E. 45.66 feet, N. 89-54 E. 181.13 feet, N. 26-10 E. 145.18 feet,

N. 41-53 W. 76.80 feet, N. 56-31 E. 278.84 feet, N. 20-09 W. 376.09 feet, N. 83-25 W. 61.63 feet, N. 27-09 W. 89.08 feet N. 14-29 E. 91.42 feet, N. 26-54 W. 141.06 feet, N. 38-49 W. 163.41 feet, N. 57-31 W. 159.22 feet, N. 83-47 W. 73.18 feet, S. 72.34 W. 136.42 feet, to a Beech Tree, corner of the Whicker property; thence leaving Wood Creek Lake 1030 Elevation line and running with the Whicker Line, S. 11-25 E. 261.09 feet to a point, corner of the Boyd Oliver Property; thence with said Oliver line, N. 83-44 E. 84.10 feet, S. 49-21 E. 94.94 feet, S. 19-07 E. 195.04 feet, S. 10-14 W. 151.16 feet, S. 14-58 E. 150.53 feet, S. 21-13 W. 116.39 feet, S. 77-51 W. 103.33 feet, S. 56-21 W. 265.12 feet, S. 19-42 E. 327.58 feet, S. 33-00 E. 233.45 feet, S. 24-33 W. 168.94 feet, S. 40-00 W. 404.90 feet, S. 12-34 W. 100.70 feet, to an iron pin, corner of the Truman Payne property; thence with said Payne Line, S. 50-38 E. 382.38 feet, S. 18-49 W. 238.02 feet, S. 37-33 W. 247.56 feet, S. 34-41 E. 170.21 feet, S. 45-56 E. 98.21 feet, S. 36-15 W. 40.00 feet, N. 83-46 E. 172.74 feet, S. 52-41 W. 397.31 feet, S. 79-18 W. 604.83 feet, to a Stake, corner of the Joe Hooker Property; thence with said Hooker line, S. 09-09 W. 465.69 feet S 50-51 W. 80.93 feet, S. 07-29 W. 276.49 feet, to a Mark on the cliff, corner of the Richard Goforth property; thence with said Goforth line S. 74-16 E. 300.00 feet to a point; thence to the beginning, containing 52 acres more or less as shown by survey by Ensley Wright, RLS 2097 on May 20, 1986.

The property above described is subject to the Restrictions and Conditions to and in favor of Wood Creek Water District, a body politic of Laurel County, Kentucky, as more particularly described in Deed book 183, at page 230, and Deed Book 224, at page 450, records of the Laurel County Court Clerk's Office, which restriction and conditions are incorporated herein by reference.

TO HAVE AND TO HOLD the same, together with all the appurtenances thereunto belonging unto the party of the second part, its successors and assigns, forever, with covenants of "General Warranty".

CONSIDERATION CERTIFICATE: We, the undersigned Grantor(s) and Grantee(s), hereby certify that the consideration reflected in this

deed is the full, true and correct consideration for the property. We further certify our understanding that falsification of the stated consideration price of the property is a Class D felony, subject to one to five years imprisonment and fines up to \$10,000.00. The grantees join in this deed for the sole purpose of certifying the consideration pursuant to KRS Chapter 382.

In Testimony Whereof, witness the hands of the parties hereto, this the day and year first above written.

GRANTORS: SWW, LLC

BY: Marshall Phillips
Marshall Phillips, Member

BY: Bobbie Phillips
Bobbie Phillips, Member

GRANTEE: BLEDSOE ENTERPRISES, LLC

BY: Baxter Bledsoe III
Baxter Bledsoe, III
Member

STATE OF KENTUCKY

SCT

COUNTY OF LAUREL

I, the undersigned Notary Public, in and for the state and county aforesaid, do hereby certify that the foregoing deed and consideration certificate, were this day produced before me and acknowledged and delivered, subscribed and sworn to by SWW, LLC by Marshall Phillips and Bobbie Phillips, its members, to be their free act and deed and the free act and deed of SWW, LLC.

Witness my hand, this the 2nd day of September, 2005.

Charlotte Anders
Notary Public

My Commission Expires: 5-3-09

STATE OF KENTUCKY
SS
COUNTY OF LAUREL

The foregoing Consideration Certificate was acknowledged, subscribed and sworn to before me this the 2nd day of September, 2005 by Baxter Bledsoe, III, member of Bledsoe Enterprises, LLC, grantee.

Charlotte Anders
Notary Public

My Commission Expires: 5-3-09

Prepared in the law office of:

BAXTER BLEDSOE, JR.
360 N. Main Street
London, KY 40741
without a title examination

BY: Baxter Bledsoe, Jr.
Baxter Bledsoe, Jr.

c:\property\Marshall Phillips Oliver property

State of Kentucky, County of Laurel, Sct 1, DEAN JOHNSON, Clerk of the Laurel County Court, do certify that the foregoing Deed was, on the 3 day of Aug 20 06, at 11:18 A.M., lodged in my office for record, and that it has been duly recorded in my said office, together with this and the certificate thereon endorsed. Given under my hand this 3 day of Aug 20 06 Deed Book 610 Page 162
Clerk Dean Johnson
Conner Young D.C.

489

411

160076

DEED

transfer tax 70⁰⁰

THIS DEED is made and entered into on this the 30th day of September, 1998, by and between LAUREL NATIONAL BANK, whose address is CVB Lane, London, KY 40741, party of the first part and CHESNUT, INCORPORATED, 408 N. Main Street, Suite 2, London, KY 40741, party of the second part.

WITNESSETH: That for and in consideration of an exchange of property the receipt of which is hereby acknowledged, the party of the first part does hereby grant, sell and convey unto the party of the second part, its successors and assigns, a 1/2 undivided interest in the following described property, viz: A certain tract or parcel of land lying and being in Laurel County, Kentucky and being the 1/2 undivided interest the first parties received by deed dated the 30th day of September, 1998, from Marshall Phillips and Bobbie Phillips, husband and wife, of record in Deed Book 488 at page 238, records of the Laurel County Court Clerk's office and being more particularly described as follows:

BEGINNING on a Ash tree on the Wood Creek Lake 1030 Elevation Line; thence with said 1030 elevation line N. 80-10 W. 169.41 feet to a hemlock tree, N. 35-37 E. 271.04 feet, N. 00-02 E. 91.96 feet, N. 44-35 E. 127.83 feet, N. 80-49 E. 174.25 feet, N. 47-38 E. 455.05 feet, N. 39-28 E. 541.35 feet, N. 02-19 W. 116.91 feet, N. 37-10 W. 116.90 feet, N. 73-16 W. 121.06 feet, N. 03-45 W. 579.17 feet, N. 20-38 W. 74.21 feet, N. 62-58 W. 147.74 feet, N. 70-33 E. 176.21 feet, N. 30-59 E. 383.90 feet, N. 07-43 W. 157.17 feet, N. 36-44 W. 199.98 feet, N. 24-33 E. 45.66 feet, N. 89-54 E. 181.13 feet, N. 26-10 E. 145.18 feet, N. 41-53 W. 76.80 feet, N. 56-31 E. 278.84 feet, N. 20-09 W. 376.09 feet, N. 83-25 W. 61.63 feet, N. 27-09 W. 89.08 feet, N. 14-29 E. 91.42 feet, N. 26-54 W. 141.06 feet, N 38-49 W. 163.41 feet, N 57-31 W. 159.22 feet, N. 83-47 W. 73.18 feet, S. 72.34 W. 136.42 feet, to a Beech Tree, corner of the Whicker property; thence leaving Wood Creek Lake 1030

4

Elevation Line and running with the Whicker Line, S. 11-25 E. 261.09 feet to a point, corner of the Boyd Oliver Property; thence with said Oliver line, N. 83-44 E. 84.10 feet, S. 49-21 E. 94.94 feet, S 19-07 E. 195.04 feet, S. 10-14 W. 151.16 feet, S. 14-58 E. 150.53 feet, S. 21-13 W. 116.39 feet, S. 77-51 W. 103.33 feet, S. 56-21 W. 265.12 feet, S. 19-42 E. 327.58 feet, S. 33-00 E. 233.45 feet, S. 24-33 W. 168.94 feet, S. 40-00 W. 404.90 feet, S. 12-34 W. 100.70 feet, to an iron pin, corner of the Truman Payne Property; thence with said Payne Line, S. 50-38 E. 382.38 feet, S. 18-49 W. 238.02 feet, S. 37-33 W. 247.56 feet, S. 34-41 E. 170.21 feet, S. 45-56 E. 98.21 feet, S. 36-15 W. 40.00 feet, N. 83-46 E. 172.74 feet, S. 52-41 W. 397.31 feet, S. 79-18 W. 604.83 feet, to a Stake, corner of the Joe Hooker Property; thence with said Hooker line, S. 09-09 W. 465.69 feet S 50-51 W. 80.93 feet, S. 07-29 W. 276.49 feet, to a Mark on the cliff, corner of the Richard Goforth property; thence with said Goforth line S. 74-16 E. 300.00 feet to a point; thence to the beginning, containing 52 acres more or less as shown by survey by Ensley Wright, RLS 2097 on May 20, 1986.

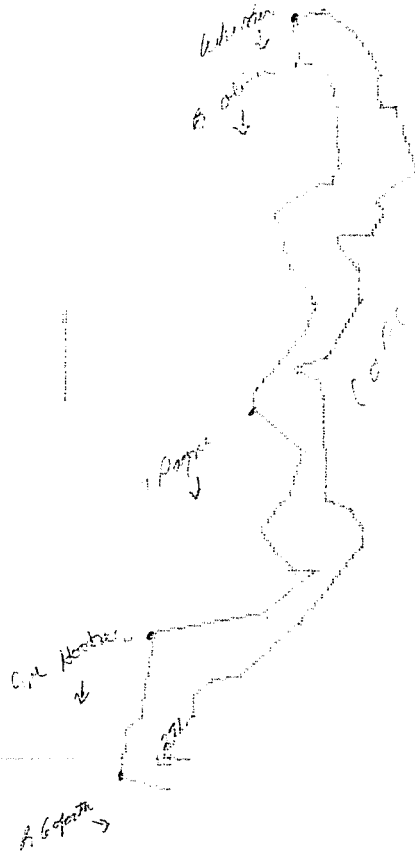
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TO HAVE AND TO HOLD the same, together with all the appurtenances thereunto belonging unto the party of the second part, its successors and assigns, forever, with covenants of ^{Special} ~~General~~ Warranty".

CONSIDERATION CERTIFICATE: The Grantor and Grantee herein certify that pursuant to KRS Chapter 382, the above-stated consideration is the true, full and correct consideration for the property herein conveyed and that the fair market value of the property conveyed herein is \$70,000.00. We further certify our understanding that falsification of the stated consideration or sale price of the property is a Class D felony, subject to one to

WRT
9/30/98
REX
11/30/98
B.B. by
f.w. as
agt.
9/30/98

Plan of Seed Cells for HOUSE, GLENN



HOUSE, GLENN		AREA		CLOSING ERROR	
Scale :	1/836 ft/in	Acres :	30.385 ±	Bearing:	N31.1141E
Martin Shift :	+0	Sq. Feet :	1323566 ±	Feet :	200.29
East Shift :	+0	Sq. Meters :	122963.2 ±	Meters :	61.05
DNS Rotations :	+500.0002	Perimeter :	12654.90	Precision :	1/60

1.	N80.10W	69.41	16.	N07.43W	157.17
2.	N35.37E	271.84	17.	N36.44W	199.98
3.	N00.02E	91.96	18.	N24.33E	45.66
4.	N44.35E	127.83	19.	N89.54E	181.13
5.	N80.49E	174.25	20.	N26.10E	145.18
6.	N47.36E	455.35	21.	N41.53W	76.80
7.	N39.23E	541.36	22.	N56.31E	278.84
8.	N02.19W	116.91	23.	N26.09W	376.09
9.	N37.16W	110.96	24.	N83.25W	61.63
10.	N73.60	131.86	25.	N27.09W	89.88
11.	N03.45W	579.17	26.	N14.29E	91.42
12.	N08.36W	74.21	27.	N26.54W	141.86
13.	N82.50W	147.74	28.	N33.49W	163.41
14.	N70.31E	176.21	29.	N57.31W	159.22
15.	N55.59E	302.98	30.	N83.47W	73.18

Laurel COUNTY PVA OFFICE
101 South Main Street, Courthouse
London, KY 40741

Monday, August 28, 2006

Name and Address CHESNUT INCORPORATED &
BLEDSOE ENTERPRISES LLC
360 NORTH MAIN STREET
LONDON KY 40741

Map Number 036-00-00-121.00
Property Address WOODS CREEK LAKE 00000
Description 52 ACRES
District 00-County
Class Farm
Acres 52.00

Land and Improvements \$5,200

Fair Cash Value \$180,000

Authorized Signature

FARM PROPERTY DATA CARD

Map Number: 034-00-00-131.00

Account Number: 1091675-01

Property Location: NEE Marshall Rd. 1.1 Miles S.W. of K.L.R.
 Owner's Name: Chesnut Incorporated
 Name: Baldore Enterprises LLC
 Fiduciary: _____
 Mailing Address: 566 N. Main Street Suite 2
London, Ky 40741
 District: _____

NOTES: 4/9/00 6/21/91 389/626
1/2 in the Marshall 11/9 3 - 424/546
Phillips, He then 9/1/98 487/609
Deeded it to Laurel National Bank 1/2 9/98 488/238
who then deeded to 9/1/98 489/411
Chesnut Incorporated

PROPERTY DESCRIPTION

Size of Farm: 52.0 Acres
 (Source): P.O.A. Card
 Deed: 52 Acres
 Calculated: _____ Acres

Shape of Farm

1. Typical
 2. Elongated Depth
 3. Elongated Width
 4. Irregular
 5. Noncontiguous
 6. _____

Location

1. Poor 4. Better
 2. Fair 5. Best
 3. Typical 6. _____

Road Type: Driv
 Frontage: _____

SOIL CAPABILITY CLASSIFICATION AND VALUATION

Class	Acres	Value/Acre	Value/Class	Adjustment	Adjusted Value/Class
Fillable	1	400			
Pasture		360			
Woodland	52	100			
				5200	

Adjustments for Extraordinary or Substandard Site Characteristics:

AGRICULTURAL USE VALUE OF LAND: 5,200

AGRICULTURAL USE ASSESSMENT AND FAIR CASH VALUE OF FARM

1	2	3	4	5	6	7	8	9	10
Year	Date Inspected	Total Taxable Value (Sum of Columns 4-7)	Land Agricultural Value	Improvements' Agricultural Value	Tobacco Base Agricultural Value	Residential* Fair Cash Value	Improvements' Fair Cash Value	Land Fair Cash Value	Total Fair Cash Value (Sum of Columns 7-9)
99	08/99	5,200	5,200	—	—	—	—	140,000	140,000
01		5,200							140,000
07		5,200	5,200						180,000

*See attached Residential Property Data Card.

Baxter Biedsoe, Jr.

360 N. Main Street

London, Ky. 40741

Ph: (606) 878-2660

Fax: (606) 878-6590

June 12, 2006

Mr. Donta Evans
Woods Creek Water District
1670 E. Daniel Boone Parkway
London, KY 40741

Dear Donta:

I am directing this correspondence to serve as a letter agreement by which Woods Creek will be taking an option to purchase certain property I own on Woods Creek Lake.

The property that is the subject matter of this agreement is a tract of approximately 15 acres acquired from Mildred Jones. This piece is being offered to the District at \$4,000.00 per acre. DB. 585
Pg. 194

The second piece is a parcel which I acquired from Billy Brannon. This tract consists of approximately 33.5 acres. A parcel will need to be excepted. Donta is familiar with this. This parcel presently joins Cliff's Edge Subdivision Phase II and can be developed without further expense. You and I will be able to work out the exception of this parcel without problem. The balance of the tract is being offered to Woods Creek at a price of \$4,000.00 per acre. DB 519
Pg. 684

The third tract is a parcel acquired from House and Phillips, but generally know as the Oliver property and consists of approximately 52 acres. Because of the lake frontage, which is approximately 1 1/4 mile. the price for this parcel is \$7,400.00 per acre. DB 489
Pg. 411
2 Deeds → DB 610
Pg. 192
1626

This option shall be for a period of six months from June 1, 2006. The consideration for this option is \$1.00.

The deed from me to you will be by Special Warranty deed guaranteeing that the title to the property is clean during my time of ownership, or the time of any corporation or LLC which I may control that holds title. I am doing this because you will be obtaining a title opinion and this will give the District all the protection it will need so far as warranty of title.

We agree that we will prorate taxes based on the date of closing.


You and I will work together to make sure that we are in substantial agreement concerning acreage. but we both acknowledge we believe the acreage figures set forth herein probably reasonably represent the true acreage.

WBJ

If Woods Creek Water District should choose to sell all or any portion of the property in the next 15 years, I, or my sons, reserve the right of first refusal.

I have caused a signature space to be placed at the conclusion, hereof, for myself and a representative of Woods Creek Water District and the option will take affect upon execution.

Sincerely yours.

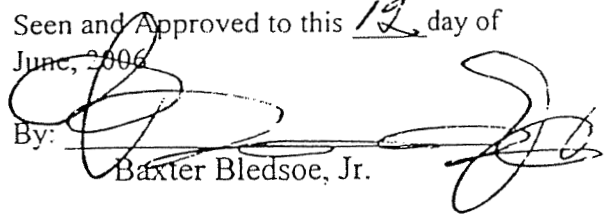

Baxter Bledsoe, Jr.

BB/sss

Seen and Approved to this ____ day of June, 2006

By: _____
For: Woods Creek Water District

Seen and Approved to this 12 day of
June, 2006


By: _____
Baxter Bledsoe, Jr.

Mike Humfleet
325 Wildwood Avenue
London, Kentucky 40744
(606) 864-4176
Fax #(606) 878-5563

EDUCATION:

Sue Bennett Jr. College
London High School

APPRAISAL & REAL ESTATE COURSES:

Bemis Lawrence Real Estate
Lawrence Real Estate Certification
Lexington Board of Realtors
Reece Real Estate
Superior School of Auctioning
Eastern Kentucky University/Principals of Appraising
National Association of Real Estate Appraisers
Real Estate Analysis
Sales Comparison Approach/Residential
Cost and Income Approach/Commercial
URAR Form
Standards and Ethics
Condominiums
Commercial and Industrial Forms
Environmental-Commercial and Industrial
7 Hour USPAP
New FNMA Forms 2005
USPAP 2005

LICENSES

Kentucky General Appraisers License-Certificate 0642 in 1994
Kentucky Real Estate Brokers License 1968

EXPERIENCE

1986 - Present Self Employed
Appraiser
1986 - 1983 Apple Oil and Gas Inc.
Natural Gas Drilling and Production
1975 - 1983 Ray Humfleet Real Estate
Sales

*Mike Hammett
335 Wildwood Avenue
London, Kentucky 40746
(606) 864-4176*

CLIENT LIST

*First National Bank
4th and Main
London, Ky 40741
(606) 875-7531*

*National City Bank
400 South Main Street
London, Ky 40741
(606) 878-2240*

*BB&T Bank
840 Whitley St
London, Ky 40741
(606) 878-7844*

*Vine Street Trust
360 East Vine Street
Lexington, Ky 40507*

*Community Trust Bank
1706 W. Hwy 192
London, Ky 40741
(606) 877-2644*

*Bank of Corbin
18th Street
Corbin, Ky 40701
(606) 523-6521*

*Laurel National Bank
1st Financial Plaza
London, Ky 40701
(606) 864-9500*

*First National
120 Town Square
Manchester, Ky 40962
(606) 598-6111*

*Citizens Bank
Highway 150 West
Mt. Vernon, Ky 40456
(606) 287-8390*

*Whitaker Bank
100 North Main Street
Corbin, Ky 40701
(606) 528-2500*

*Bank of Corbin
P.O. Box 1323
Corbin, Ky 40702*

*Community Trust Bank
38 Shiloh Drive
London, Ky 40741
(606) 864-2439*

*Cumberland Valley Bank
Main Street
London, Ky 40741
(606) 878-7110*

*City of London
501 S. Main
London, Ky 40701
(606) 864-6995*

Kentucky Real Estate Appraisers Board
2006 - 07

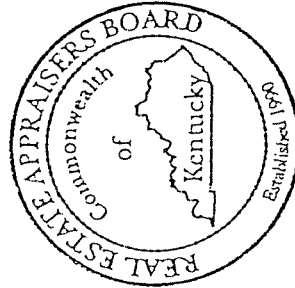
Hereby grants a

Certified General Real Property Appraiser
Certificate

License No 000642

To
C. Mike Humfleet
Mike Humfleet Appraisal Ser.
325 Wildwood Ave.
London, KY 40744

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.



Russell Sloan, Chair
Dorsey G. Hall, Vice Chair
Loren C. Huff
J. W. Grabeel
Theresa Marshall

Control No 23864

THIS CERTIFICATE EXPIRES

June 30, 2007