

SUMMARY APPRAISAL REPORT

PREPARED FOR
MARIE JACKSON, FINANCIAL ADVISOR ,
FOR

~~FARLEY-AMOS-AND-JOYCE-AMOS~~
1933 EAST DUBLIN-GRANVILLE ROAD SUITE 217
COLUMBUS, OHIO 43229

VALUATION OF
123.08 ACRE FARM WITH PEAT BOG
AND
PEAT EXTRACTION AND SALES BUSINESS
2214 TOWNSHIP ROAD 1265
LUCAS, OHIO 44843

PREPARED BY
URBAN INFORMATION SERVICES, INC.
168 DORCHESTER SQUARE
WESTERVILLE, OHIO 43081

PREPARED ON
MAY 5, 2006

AS OF
APRIL 6, 2006

**DEFENDANT'S
EXHIBIT**

A

URBAN
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May 5, 2006

Marie, Jackson, Financial Advisor
Farley Amos and Joyce Amos
1933 East Dublin-Granville Road, Suite 217
Columbus, Ohio 43229

Re: Summary Appraisal Report
128.08 Acre Farm with Peat Bog
Peat Extraction and Sales Business
2214 Township Road 1265
Lucas, Ohio 44843

Dear Ms. Jackson:

In the appraisal report following this letter, the market value is estimated for the subject property and business captioned above, a peat extraction, processing and sales business and the approximate 123 acre farm where the peat bog is located. To complete this assignment, the subject property and market area were inspected and comparable sales, income and expense information was gathered and analyzed. The date of the value estimate is the date the property was inspected.

Based on our inspection, the data, sales, income and expenses, and the analyses of these components presented in the following report, it is our opinion the business' market value on April 6, 2006 is Five Million Eight Hundred Thousand (\$5,800,000.00) Dollars.

This market value estimate is subject to the qualifying and limiting conditions stated at the beginning of the following report. The value estimate is also based on the hypothetical condition that the business is operating and a good going concern on the date of this appraisal.

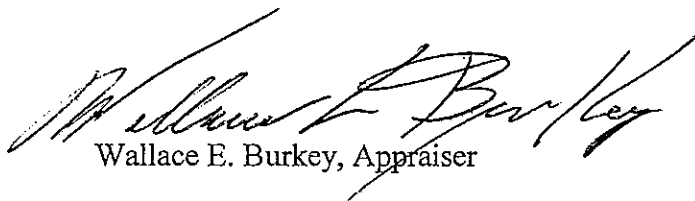
In addition to estimating the subject's market value, allocations of the value to the real estate and to the business F,F&E and goodwill are estimated. These value allocations are summarized below.

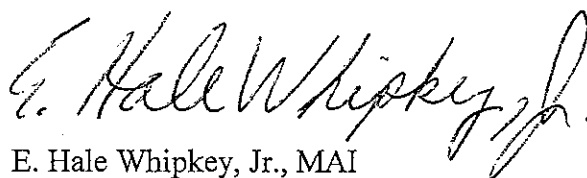
Allocated Values on April 6, 2006:

Value to Real Estate	\$ 792,000.00
Value to F,F&E and Goodwill	\$5,008,000.00
Total Estimated Market Value	\$5,800,000.00

Thank you for the opportunity to be of service. If additional information is needed, or you have questions, please feel free to contact us.

Respectfully submitted,


Wallace E. Burkey, Appraiser


E. Hale Whipkey, Jr., MAI

SUMMARY OF SALIENT FACTS

LOCATION: 2214 Township Road 1265, Lucas, Ohio 44843

PROJECT: Mohican Organic Products

BUSINESS DESCRIPTION: Extraction of peat from two bogs and drying peat for bulk sale or for processing as organic mix packaged sale.

LAND SIZE: 123.08 Acres

BUILDINGS DESCRIPTION: 2,075 square foot single family residence, 1,728 square foot warehouse/shop building for peat processing, and 2-car garage in poor condition.

UTILITIES: Public electric and telephone and private on-site water and sewer.

ZONING: F-1, General Farm District, with the subject peat business a conditionally permitted use.

HIGHEST/BEST USE: Peat extraction and crop farming of additional 40 to 45 acres

DATE OF VALUE ESTIMATE: April 6, 2006

MARKET VALUE ESTIMATES:

REAL ESTATE.: \$ 792,000.00

F,F&E AND GOODWILL: \$5,008,000.00

TOTAL MARKET VALUE: \$5,800,000.00

QUALIFYING AND LIMITING CONDITIONS

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

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. No warranty, however, is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. 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.
12. The appraiser herein by reason of this appraisal is not required to give further consultation,

testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

13. Neither all nor any part of the contents of this report (especially any conclusion 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 the prior written consent and approval of the appraiser.
14. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated.
15. Neither all, or any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firms with which the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, or department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser.
16. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.
17. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause such a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

SPECIAL LIMITING CONDITIONS

1. The subject 45 acre, reed sedge bog is a wetland, as classified by the Army Corp. of Engineers and the Ohio Environmental Protection Agency. The regulations governing harvesting peat from such a wetland provide for a two step application and approval process through the Army Corp. of Engineers and the EPA to obtain a permit for the harvesting. The subject property owner has stated he has the authorizations needed to harvest the peat. However, we have not been able to obtain verbal or written confirmations of this from either the Army Corp. of Engineers or the EPA. Thus, this appraisal is performed under the assumption that the property owner has all approvals necessary and can legally harvest peat from the 45 acre bog, as well as from the smaller, 4 acre bog which has a history of previous year's harvesting operations.
2. The sale of the subject property's peat in bulk or bagged as organic mixes must be delivered to the buyers/users. Based on the property's location, it is assumed delivery will be by truck. In addition, it is assumed in this appraisal that buyers of the peat in bulk will truck the peat themselves or pay to have it delivered. In contrast, it is assumed in the pricing of packaged peat organic mixes that the property owner will pay the shipping charges on orders delivered to the buyer.
3. The quantity of peat in the subject's large bog is based on a November 28, 1995 report prepared by John M. Ackerman, Consulting Geologist, evaluating the bog and its quantity of peat. The surface area of the bog is variously described in documents reviewed for this report as ranging from approximately 44 acres to 46.5 acres. For this report, then, a mid-range surface area of 45 acres is selected. Mr. Ackerman's report calculates the "peat resources in place" at approximately 2,469,522 cubic yards which equates to "about 1,646,348 tons of marketable peat." A copy of Mr. Ackerman's report is provided in the addenda to this report.

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ADDENDA:

- Exhibit I - Subject Photographs
- Exhibit II - Ashland County Auditor's Record Cards on Subject
- Exhibit III - Dept. of Interior Geological Survey Map Showing Subject Property and Peat Bog
- Exhibit IV - Plat Map Showing Subject Site
- Exhibit V - FEMA Flood Insurance Rate Map Showing Subject Property
- Exhibit VI - Zoning Code Text Applicable to Subject Property
- Exhibit VII - Analysis of Subject Peat Resources by John Ackerman, Geological Consultant
- Exhibit VIII - Reed Sedge Peat Producers by State
- Exhibit IX - Agreement for Appraisal of Real Estate

PURPOSE AND INTENDED USE OF APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject peat extraction and sales business and the 123.08 acre farm where the peat bogs are located. The intended use of this appraisal is to assist in the underwriting of financing on the subject farm and business and the financial analysis of the peat business operations.

DEFINITION OF MARKET VALUE

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 and knowledgeably, and assuming the asking price is not affected by undue stimulus.

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; and
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.

INTEREST APPRAISED

The interest appraised herein is the fee simple interest in the property, being both the real estate and the business as two components of the total property value, subject only to normal easements and rights-of-way of record. All liens, assessments, mortgages, and related encumbrances are specifically excluded from consideration.

The fee simple estate is defined as the "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."¹

¹The Dictionary of Real Estate Appraisal, Third Edition, The Appraisal Institute, 1993.

DATE OF APPRAISAL

The date of this appraisal is April 6, 2006, the date the property was inspected for this appraisal.

SCOPE OF APPRAISAL

The property is being appraised under the hypothetical condition that the subject peat business is operating and a good going concern on the date of inspection. The value estimated in this appraisal takes into consideration both the real estate and business value of the peat business. The value estimate is allocated between the real estate and the F,F&E and business goodwill. These analyses and the conclusions to value are based on estimates by the sales comparison and income approaches. No estimate of value is provided by the cost approach.

IDENTIFICATION OF THE PROPERTY

The subject property consists of a 123.08 acre farm with two peat bogs comprising approximately 50 acres. The existing warehouse/shop building for the peat business was constructed in 1982 and contains 1,728 square feet. The other buildings on the farm are a 2,075 square foot single family residence and a 2-car garage which is in poor condition. The peat business is known as Mohican Organic Products and has a common address of 2214 Township Road 1265, Lucas, Ohio 44843.

HISTORY OF OWNERSHIP

Title to the subject property is held in the name of Farley D. and Joyce C. Amos and has been in this name since December 19, 1975. On the date of inspection for this appraisal no arm's length transfers of the property have occurred since the 1975 acquisition date.

AREA DESCRIPTION

Ashland County

Ashland County was formed by the Ohio General Assembly on February 24, 1846 from portions of Richland, Wayne, Huron and Lorain Counties. The three northern townships belonged to what was known as the Connecticut Western Reserve and their inclusion in Ashland County was bitterly opposed as the "Rape of the Firelands". Ashland County's southern most boundary line was originally a part of the Greenville Treaty Line, which was signed in 1795. It permitted northeast Ohio to remain as hunting grounds for the Indians. The City of Ashland, formerly known as Uniontown, was laid out in 1815 by William Montgomery. In April of 1846, Ashland was selected over Hayesville as the county seat by a majority of 680 votes.

Ashland County is divided by the continental divide into two primary watersheds by a range of uplands extending in a northeasterly direction from the middle portion of Clear Creek Township to the middle portion of Sullivan Township. The land lying north of this divide are primarily level, sloping gently to the north and draining into Lake Erie. Progressing south from the dividing line, the terrain ranges from gently rolling to rugged and hilly, draining south to the Ohio River. Ashland County, with its many acres of prime agricultural land, is proud of its rural heritage.

Ashland County has excellent outdoor recreational areas such as Charles Mill Reservoir and Pleasant Hill Reservoir, which provide boating, fishing and camping facilities. Mohican State Forest, covering nearly 6,000 acres in Hanover Township, provides numerous activities including camping, canoeing, picnicking, hiking and horseback riding. The Loudonville area, known as "The Camp and Canoe Capital of Ohio" attracts many tourists to the area. The Johnny Appleseed Outdoor Drama in Mifflin Township opened in 2003 as a cultural attraction presenting the history of John Chapman, one of our nation's great folk heroes, who was an early settler to our area.

The City of Ashland has gained fame as the "Balloon Capital of the Worth" with its latex industries. The annual Balloonfest celebrates our world status and is a major attraction to our area. Ashland is also a leader in water pumps, medical supplies and the publishing of children's books. Ashland University, founded in 1841, brings students from all over the world to study in a safe and beautiful environment.

Richland County

Richland County is situated in the beautiful Appalachian foothills of North Central Ohio and is close to several State Parks that attract visitors from all over the state. The southern half of Richland County is literally Ohio's roof top with several hills topping 1,400 feet. Topography for Richland County varies from level areas to other areas that are very hilly and covered with trees. There are other areas that are very low and swampy to very steep hill sides with deep ravines. The land uses vary with the level areas being used for agriculture purposes while the hilly areas are used for home sites or left vacant because they are too rugged to be utilized. Thee

are several areas of Richland County that are used for recreational purposes such as boating, hiking and swimming while the steep hills are used for skiing in the winter along with snowmobiles on the hiking trails.

Eight major highways pass through Mansfield/Richland County, making it easy to get to the area. The city also possesses a large airport which is home to an active Ohio Air National Guard unit whose huge C-130 transport planes fly missions around the world. Mansfield and Richland County blend a array of one-of-a-kind attractions and historic landmarks. These range from one of the state's finest gardens at Kingwood ICenter to one of the nation's premier race tracks at Mid-Ohio Sports Car Course.

The City of Mansfield was named after surveyor General of the U.S. Col. Jarred Mansfield. Richland County was organized march 1, 1813 and named from the character of its soil.

The City of Mansfield's true growth began with the arrival of the first railroads in the 1850's. Mansfield also became an industrial city producing buggies, steel, steam tractors, gasoline farm tractors, stoves, water pumps and more recent major appliances.

Richland County is the home of many famous people starting with the Apple man, John Chapman, better known as Johnny Appleseed, who lived and traveled in this area for many years, planting apple trees that served the needs of new settlers. Another well known resident of Richland County was Louis Bromfield who was mnowned both as a prize-winning author and as an innovative conservationist and scientific farmer. His farm, Malabar Farm located in Monoroe Township is still used as a farm and the research work will continue well into the 21st Century, the Malabar 2000 foundation has plans for developing a center for study at Malabar Farm to further the work begun in Richland County by Louis Bromfield.

Mifflin Township

Mifflin Township is located along the west side of Ashland County and borders Richland County along the west and south sides. Mifflin Township is the smallest of the townships in Ashland County with an estimated area of approximately 13 square miles and approximately 8,400 acres. The terrain in Mifflin Township varies from level land to some very rugged and hilly. A portion of Charles Mill Lake lies in the western part of the township and this lake has several areas with vacation and year around homes. The lake is used for boating and other water activities. There are areas of Mifflin Township that are low lying and have poor drainage and some are considered wetlands.

Richland County which adjoins the Ashland County's Mifflin Township also has a township named Mifflin Township that abuts the Mifflin Township in Ashland County. The size is larger, but the Richland County Mifflin Township shares the same properties as the Ashland County Mifflin Township

The Farley and Joyce Amos Farm

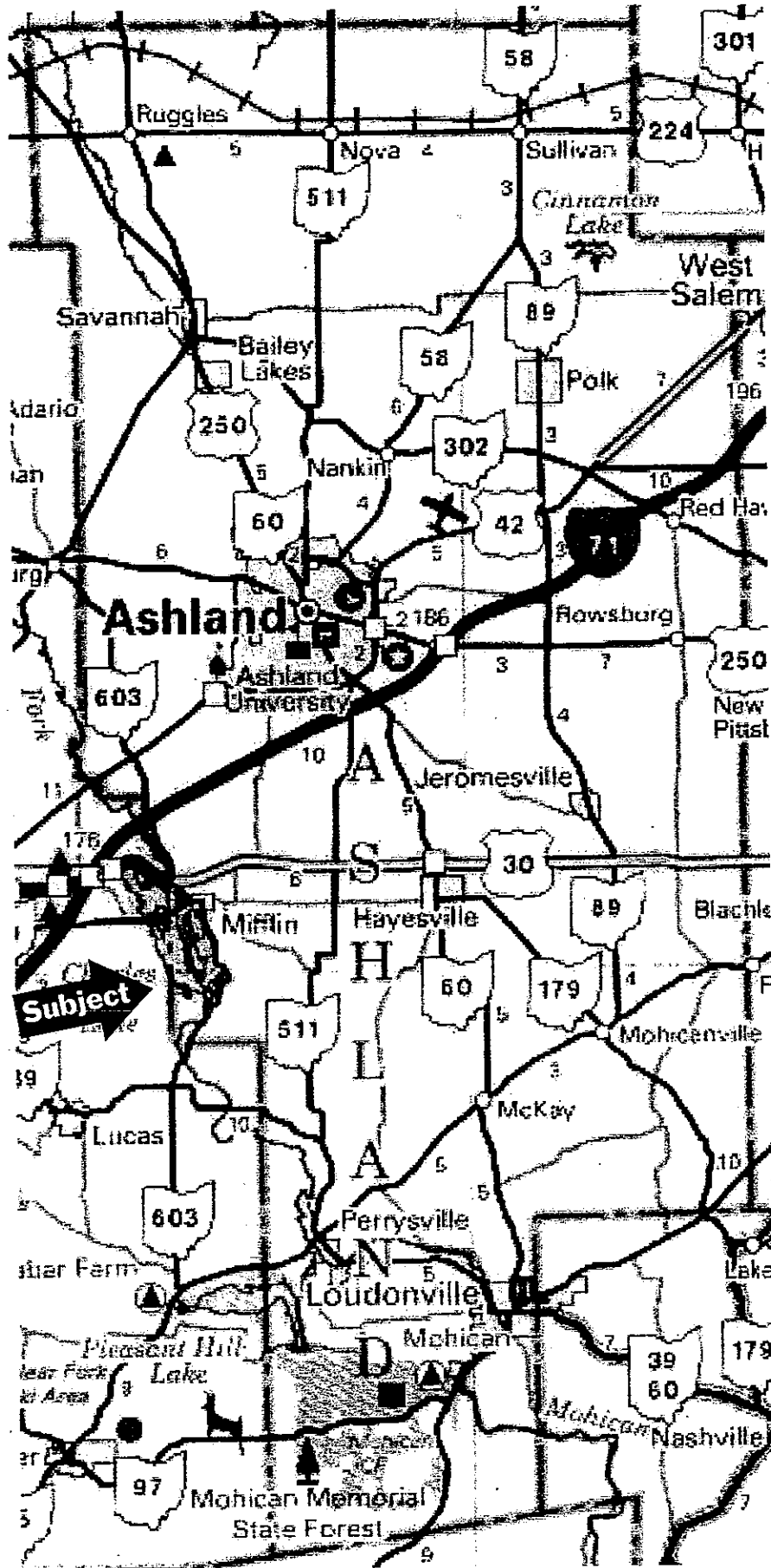
The subject farm contains 123.08 acres per the Ashland County Auditor's records and is located in Ashland County, Mifflin Township at 2214 Township Road 1265, Lucas, Ohio.

Subject is located in the southwest part of Mifflin Township, near the southwest shore of Charles Mill Lake along the southwest side of Township Road 1265. The topography for the farm varies from level areas to some high and hilly areas. The middle of the farm consists of a low area that contains a peat bog with an estimated area of 45 acres. Some of the low area were farmed yesteryear, but, have since grown up with small trees and brush. A description of the soil types are in another part of this report.

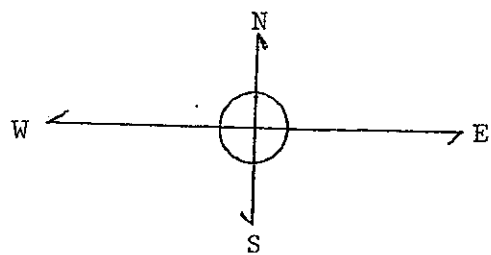
The present owners have harvested peat from a small bog while the large bog has not had any peat harvested in recent years.

Improvements on the farm consist of a single family dwelling

ASHLAND COUNTY AREA MAP



Regional Location Map



SITE DESCRIPTION

LOCATION: Subject property is located at 2214 Township Road 1265, Lucas, Ohio 44843-9605. The site is 9 miles southwest of Ashland, Ohio and 7 miles east of Mansfield, Ohio

SIZE: The property consists of five (5) parcels containing a total of 123.08 Acres

SHAPE: The property has an irregular property line with the east and north sides being Township Road 2214 and the west side having an irregular line while the south property line is the Black Fork Mohican River. The shape slightly resembles a rectangular.

TOPOGRAPHY: Topography for the subject property runs from high areas along the west side to low and swampy in the center. The area along the east property line is fairly level with some low and swampy areas. The northeast part of the property is fairly high while the northwest part varies from low and swampy to a high area at the northwest corner.

UTILITIES: Utilities to the subject property consist of electricity and telephone. Water is furnished to the subject by drilled water well and sanitary service is by a septic tank. Fuel for heating the residence is by propane gas and fire wood.

STREET IMPROVEMENTS: The street (Twp Rd 2214) is paved with black top paving and drainage is by roadside ditches. There are no curbs or gutters.

ZONING: Zoning is General Farm District (F-1) - Permitted Uses include (Agriculture) and Conditional Uses include (Mineral Extraction, Storage, or Processing) It appears that the subject is operating under a "Conditional Use" of Mineral Extraction, Storage, or Processing by mining the peat on the property, storing it on the ground till it dries and them processing it by grinding, screening and bagging it for sale.

ADVERSE HAZARDS AND EASEMENTS: There were no known hazards or easements brought to the attention of the appraisers when the subject property was inspected.

LEGAL DESCRIPTION: 2214 Township Road 1265 - Section 35 - Mifflin Township - (T23-R17)-Lots D-1, E-1, F, G, and H-2 - Ashland County - Ohio

FLOOD ZONE:

FEMA Flood Insurance Rate Map Community Panel 3907590005B, effective January 1, 1988, shows the subject in Zone A and Zone X.

CONCLUSIONS:

The subject site have personally inspected by the appraisers with one appraiser walking the farm with the exception of the peat bogs which are partially under water. The property appears adequate for farming in the level areas and the peat bog area is adequate for the harvesting of peat which is processed and sold to retailers, wholesalers and individual users. The indicated uses of the subject property are permitted by the current zoning regulations. The property has potential for other type developments, but, these options were not addressed in this report.

REAL ESTATE TAXES

The current tax valuation of the subject property reflects the status of the subject at the time of inspection by the appraiser with the existing improvements.

	<u>Appraised Value</u>	<u>Assessed Value</u>
Land	\$153,700.00	\$53,800.00
Improvements	<u>\$98,600.00</u>	<u>\$34,510.00</u>
TOTAL	\$252,300.00	\$88,310.00

2006 Tax Payment for 2005 \$3,650.79

DESCRIPTION OF IMPROVEMENTS

The subject property is improved with a one and one half story single family residence containing a total of 2,075 square feet. The main house is 1 ½ story with a one story addition to the front which has an attic above. The upper floor contains 455 square feet of living space finished into 2 bedrooms. Access to the upper level is by stairs located in the kitchen area. The first level consists of a living room with a fireplace, 1 bedroom, 2 bathrooms, a galley style kitchen area and a dining room that also has a sink and cabinet set up, in effect is a second type kitchen work area. The small bathroom is off the dining area and has a commode, lavatory and a shower stall. The wainscot in this bathroom is ceramic tile. The living room area has a berber type carpet which extends down the hallway to the bedroom. The bedroom on the first floor is also carpeted with an older style carpet. The master bathroom which is adjacent to the master bedroom has vinyl sheet flooring. It has a commode, a single lavatory with vanity, a built in dressing table, a jacuzzi tub with a showerhead and a fiberglass tub surround. The dwelling is heated by a hot water system with a wood burning furnace located outside the house that furnishes hot water to the heating system. Domestic hot water is furnished by a propane fired hot water tank.. The wood burning furnace is backed up with a propane fired boiler in the basement. The house has an unfinished partial basement with an inside and outside access. Water is furnished by a drilled well with a water softner while the sanitary sewer is an onsite septic tank. The electrical system is a newer system with a circuit breaker box. There is an attached carport that measures 16 X 24 feet and has a concrete floor. This dwelling is considered to be in average condition.

Other improvements include a double wide manufactured home on a foundation. This unit measures 28 X 56 feet and is occupied by a family member. This dwelling contains a living room, dining area, kitchen, 3 bedrooms, 2 bathrooms, and a laundry room with washer and dryer hookups. The interior walls and ceiling are drywall while the floors are covered with carpet, sheet vinyl and laminate flooring. There is also a wood burning fireplace in the living room. The kitchen is equipt with stove/oven, microwave oven, dishwasher, refrigerator and garbage disposer. The exterior has an asphalt shingle roof and the walls are covered with vinyl siding. The windows are aluminum with insulated glass and screens. This unit is considered to be in average condition.

Other buildings on the farm consist of a 24 X 28 foot concrete block garage with overhead doors and this building is considered to have no value considering it's physical condition. Poor condition.

The other and last building is a metal pole building that is utilized as a production facility for bagging the peat moss when peat moss is being harvested and processed. This building measures 36 X 48 feet by 16 feet high containing 1,728 square feet. It has a concrete floor, three sets of sliding doors, two suspended propane gas heaters, partially insulated interior walls, and is equip with 400 amp three phase electrical service. The exterior walls of the building are covered with metal siding while the roof is standing seam metal roofing. This building is considered to be in average condition.

There is machinery on site at the small bog that is used in the harvesting of peat from the bog. This unit consists of a 60 foot high tower from which steel cables that are strung across the bog to an anchor point which is an older D-8 caterpillar bulldozer. At the base of the tower is a pulling unit consisting of diesel powered winches that pull a bucket across the bog and then reel it in full of peat moss which is then dumped into trucks to be hauled away. This equipment is personal property and not considered in this appraisal but is mentioned to show the appraisers are aware that it is on the site.

The driveway from the road to the building area is a mixture of gravel and dirt.

HIGHEST AND BEST USE

The determination of the highest and best use of the subject site involves an analysis which considers what is:

4. Legally permissible
5. Physically possible
6. Economic feasible
7. Most profitable to the site

These factors are considered below, followed by a conclusion to the subject's highest and best use.

Highest and best use may be defined as the most profitable likely use of a site, or that use which will provide the greatest net return to the land. This definition of highest and best use applies specifically to the land.

In the case where a site is already improved with an existing structure, the highest and best use may be different than the existing use. The existing use will continue, however, until the value of land under its highest and best use exceeds the value of the property as improved for its existing use. Implicit in the analysis of the highest and best use for a site are governmental and community guidelines which restrict its use and development according to established laws and standards. As well, it is the use of the site which is most profitable for the private owner. The analysis by the appraiser represents an opinion based on evaluating criteria surrounding the site coupled with the appraiser's judgment. Hence, it is an evaluation giving way to an opinion and not a fact to be found.

The subject property is classified a farm through zoning and contains a total of 123.08 acres of land. Improvements include a dwelling, a garage, a double wide manufactured home on a foundation and a pole style building adaptable to a variety of farm uses. The farm contains a peat bog that encompasses about 45 acres of the farm and 78.08 acres of other land. As a farm, the 78 plus acres would have to be cleared before the fields could be farmed again as they are growing up with brush and small trees and part of this 78 plus acres is not suitable for farming due to hills and low wet areas. Some parts of this 78.08 acre tract has the future potential for recreational use such as a campgrounds with small cabins and parking spaces for recreational vehicles. This would require roads, a water supply and sanitary facilities. This not considered to be something in the near future as the peat bog is considered to be the most important asset to the property and it would be difficult to have a campgrounds next to an active peat bog mining and processing operation. The 45 acre peat bog could be partially farmed for garden products but it would take special equipment to be able to stay on the surface of the bog to plant it as the surface is very unstable. The best use of this bog would be to harvest the peat and sell it to garden centers, landscapers and home owners wanting to enhance their gardens and flower beds. The appraisers have treated this bog as if the owner could harvest the peat from the bog without any interference from any state or federal agencies.

Thus, as of the date of this appraisal, the highest and best use of the subject property would be to utilize the dwelling as a residence, farm the part of the 78.08 acre tract that would be compatible for planting and harvesting the crops, harvest the peat from the 45 acre peat bog either by the owner or an independent contractor. The peat could then be processed on or off site and sold. The remaining land that is hillside and low wet areas and not farmed would best be left to trees and natural plants.

ANALYSIS OF PEAT MARKET

The U.S. market for peat is comprised of four types of peat; sphagnum moss, hypnum moss, reed-sedge, and humus. Peat is classified by its degree of decomposition, with sphagnum moss being the least decomposed followed by hypnum moss, reed-sedge and humus. Florida, Michigan and Minnesota are the leading producers of peat in the U.S., accounting for 86% of production in 2004. Production of U.S. peat in 2004 was as follows: reed-sedge peat accounted for the largest volume of production at 587,000 metric tons, hypnum moss production was 5,500 metric tons, sphagnum moss production was 34,600 metric tons and humus was 29,100 metric tons. The U.S. exported 29,000 metric tons of peat in 2004. The U.S. imported 57% of total domestic requirements, or 786,000 metric tons of peat. Most of the importing was high quality sphagnum moss from Canada. The above information was obtained from the 2004 Peat report by the U.S. Geological Survey.

Production of peat by U.S. producers for the years 2000 to 2004 in metric tons was as follows: 792,000 in 2000, 736,000 in 2001, 642,000 in 2002, 634,000 in 2003 and 696,000 in 2004. The number of active producers of peat in the U.S. declined yearly during the years 2000 to 2004. The number of active U.S. producers of peat during this time period is as follows: 61 in 2000, 57 in 2001, 55 in 2002, 54 in 2003 and 50 in 2004. This information was obtained from the 2004 Peat report by the U.S. Geological Survey.

The U.S. Geological Survey 2004 Peat report summarized sales of total peat, including bulk and packaged, by U.S. producers in the years 2000 to 2004. Volume of peat sold in metric tons was: 847,000 in 2000, 820,000 in 2001, 728,000 in 2002, 632,000 in 2003, 741,000 in 2004. A recent report estimates sales at 827,000 in 2005. The corresponding sales values figures are: \$22,700,000 in 2000, \$21,100,000 in 2001, \$21,000,000 in 2002, \$18,800,000 in 2003, \$21,200,000 in 2004 and an estimate of approximately \$24,000,000 in 2005. The sale of bulk peat by U.S. producers increased from \$11,330,000 representing 483,000 metric tons in 2000 to \$12,580,000 representing 550,000 metric tons in 2004. Conversely the sale of packaged peat by U.S. producers decreased from \$11,410,000 representing 364,000 metric tons in 2000 to \$8,630,000 representing 191,000 metric tons in 2004.

The U.S. Geological Survey reported that total sales in 2004, by U.S. peat producers was 741,000 metric tons in weight, 1,500,000 cubic meters in volume, and \$21,200,000 in value. Average prices for peat in 2004, paid to U.S. producers, per metric ton were; \$61.62 for sphagnum moss, \$45.19 for hypnum moss, \$25.71 for reed-sedge, and \$18.08 for humus.

Most peat in the U.S. is used as a soil amendment, according to the U.S. Geological Survey and producers and retailers of peat. Approximately 92% of U.S. peat production in 2004 was used in potting soil mixes and as an agent for general soil improvement, as reported by the U.S. Geological Survey. Due to these facts the market for packaged peat sales and peat as an independent product has declined.

Information obtained for this assignment indicates that producing peat in the U.S. is negatively

affected by several factors. Mr. Craig Snee, owner of Earth-n-Wood landscape centers and a peat bog located in North Canton, Ohio and Mr. David Newman, Vice President of Michigan Peat both stated that the increased monitoring and regulation of wetlands by the U.S. Army Corp of Engineers and the Environmental Protection Agency at the Federal and State levels has made obtaining permits and mining a bog difficult. Mr. Carl Kipp Jr., founder and Technical Director at Paygro, Mr. Tom Moherman with Green Valley Growers and owner of a peat bog located in Ashland, Ohio, Mr. Snee and Mr. Newman all stated that there is a small market for peat as a stand alone product. Mr. Snee stated that increased use of mulch has been a factor to influence the reduced market for peat. Mr. Snee also indicated that local zoning laws can also negatively affect the ability to produce peat. Reed-sedge peat, in particular, is reported to be very expensive to produce, requiring special equipment for mining and transporting; and it requires approximately 8-12 months of drying time to make it saleable. These facts were substantiated by Mr. Kipp and Mr. Snee. Mr. Moherman, Mr. Snee and Mr. Kipp also mentioned that the physical location of the bog in relation to regional market demand and trucking costs is an additional factor.

In conversations with Mr. Kipp, Mr. Moherman, Mr. Snee, Mr. Newman and a representative of The Scott's Company indicated that peat in a bog has no significant value beyond the typical value of land in the market area where the bog is located. Mr. Kipp and Mr. Moherman also stated that a peat bog can be as big a liability to an operation as it is an asset, because of the difficulty in meeting and maintaining operating requirements. The effect of these conditions found in the market during our research for this report is a limited demand for acquiring farm land which contains a peat bog. The persons spoken to for this report stated they had not acquired peat bogs since the early 1970's. The most recent new operation in the Ohio market we have been able to find is Hyponex in Wayne County. Public records show this property was leased, not purchased, by Hyponex and operations were set up in 1991.

A survey of peat producers and retailers in Ohio and Michigan has confirmed that the vast majority of peat is sold as a soil amendment, either to large producers, such as Scott's and Michigan Peat, who add the peat to other organic materials and sell by the bag, or to individual consumers, by the bag or in bulk. Average retail prices of peat, as reported by operations in Ohio and Michigan are as follows: sphagnum moss in bales-1.0 c.f. for \$6.16, 2.2 c.f. for \$7.91, 3.8 c.f. for \$10.62; bulk sale of reed-sedge or humus \$16.00 to \$18.00 per cubic yard; sale of reed-sedge, humus or a pre-moistened horticultural mix in 40 lb. or 2.0 c.f. bags \$2.55. A detailed table of retail sale prices by product type and quantity follows this analysis.

The short term outlook for peat production and consumption in the U.S. is predicted to be stagnant in the coming years. Factors influencing this are increased use of other organic materials such as coconut fiber and composted yard waste as soil amendments, State and Federal regulations affecting wetlands, reduced increases in horticultural sales and increased importing from Canada. These factors offset the growth in sales by companies using peat as a soil amendment.

RETAIL SALE PRICES OF PEAT PRODUCTS BY PRODUCT AND SIZE

SOURCE	TYPE OF PEAT	SIZE	PRICE/BAG SIZE	PRICE/BAI SIZE	PRICE/YD
Earth-n-Wood	Ohio Peat/Reed Sedge	2.0 c.f.	\$2.75 DIY	Bulk	\$16.00
Scott's Garden Center	Sphagnum Sphagnum	2.2 c.f. 1.0 c.f. 2.2 c.f. 3.8 c.f.	\$7.29 \$6.50 \$9.50 \$12.50		
Sunbury Garden Center	Michigan Hummus Sphagnum	40 lb.	\$2.65		
Cross Creek Gardens	Sphagnum	2.2 c.f.	\$6.49		
Ciminelio Inc.	Sphagnum	3.8 c.f.	\$9.99		
Oakland Nursery	Horticultural/Pre-moistened mix of Sphagnum & Michigan Peat Sphagnum	2.2 c.f. 1.0 c.f. 2.2 c.f. 3.8 c.f.	\$8.99 \$4.99 \$6.99 \$9.99		
The Andersons General Store	Garden Magic Top Soil Garden Magic Top Soil Garden Magic Potting Soil Garden Magic Potting Soil Garden Magic Compost & Manure Horticultural/Pre-moistened Sphagnum	40 lb. 40 lb. 50 lb. 20 lb. 40 lb. 40 lb. 2.0 c.f. 1-9 2.0 c.f. 10-24 2.0 c.f. 25+	\$3.99 \$1.99 \$2.99 \$1.99 \$4.99 \$2.99 \$2.99 \$2.84 \$2.69		\$8.49 \$8.06 \$7.64
Mr. Mulch	BACCTO Premium Potting Soil BACCTO Top Soil BACCTO Garden Soil Sphagnum	40 qt. 50 lb. 20 lb.	\$3.99 \$2.99 \$2.49		\$8.99 \$10.99 \$9.99
Growing Solutions Inc.	Peat Hummus Sphagnum	40 lb.	\$2.49		\$6.99 \$8.99 \$12.99
Lowes Home Improvement	Peat Hummus Sphagnum	40 lb.	\$1.59		\$5.98 \$10.38
Mayhews Tree Farm	Miraclegro Garden Soil Sta-Green Container Mix Sta-Green Moisture Max Sta-Green Flower & Veg Planting Mix Michigan Peat	1.0 c.f. 2.0 c.f. 32 qt. 2.0 c.f. 2.0 c.f.	\$3.97 \$6.92 \$6.82 \$9.97 \$4.50		\$20.00
Green Valley Growers	Ohio Peat/Reed Sedge	2.0 c.f.	\$2.50	Bulk	\$18.00

DIY=Bag your own

Mr. Mulch only retailer to indicate that the 2.2 c.f. Sphagnum was bagged.

Garden Magic Peat - dark reed sedge peat

Garden Magic Potting Soil - reed sedge peat, perlite and sand

Garden Magic Top Soil - dark reed sedge peat and sand

Garden Magic Compost & Manure - odor free blend of natural organic reed sedge peat and composted animal manure

BACCTO Premium Potting Soil - reed sedge peat, perlite, sand, limestone and other ingredients

BACCTO Top Soil - dark blend of reed sedge peat and sand

BACCTO Garden Soil - 95% horticultural sphagnum peat moss and odor free manure

Miraclegro Garden Soil - per Scott's Co. regionally formulated to include reed sedge peat, along with sphagnum peat moss, manure, a wetting agent and fertilizer

Sta-Green Container Mix - contains reed sedge peat

Sta-Green Moisture Max - contains reed sedge peat

Sta-Green Flower & Vegetable Planting Mix - contains reed sedge peat on sale for \$4.50, regular price \$6.67

FARM VALUATION BY SALES COMPARISON APPROACH

The search for comparables sales resulted in several arm's length transfers of large acreage tracts in Ashland and Richland Counties. Most of the buyers in these sales had motivation to use their purchases for agricultural purposes such as farming, livestock operation, or a dairy operation. The comparable sales selected for this analysis has - the same or similar zoning as the subject, and their potential uses are somewhat similar except that the subject has a large peat bog which could lend itself to some types of farming or raising crops. Following this analysis are individual summaries of the comparables along with pictures of each of the sale properties.

Date of Appraisal and Economic Conditions

The subject and comparable sales are located in active markets, therefore, it was possible to present sales which have occurred within the past 6 months to 5 years. Given the rural location of this market, an adjustment of 3% for date of sale and/or economic conditions is supported by the sales which were over 1 years old as of 6 April 2006 which is the "as of date" of this appraisal.

Location and Market Demand

The subject and Comparable Sale Nos. 1,2,3 and 4 are all located in Ashland County. Sale #1 is located in Vermillion Township, Sale #2 is located in Mohican Township while Sale #3 is in Milton Township and Sale #4 is in Ruggles Township. Sales #5 and #6 are located in Richland County. Sale #5 is in Weller Township and Sale #6 is located in Butler Township. An analysis of the market data indicates that the larger the tract of land, the lower the price per acre.

Topography and Site Features

The subject acreage is average for Ashland County with some sales larger and some smaller. Subject site has rolling topography with some high areas of hillside, another area that is fairly flat and low and another area that is level, low and swampy. This low swampy area is a peat bog. Sale #1, #3, and #5 are considered to have similar characteristics to the subject by having low area with woods and some wet areas. Sale #2, #4, and #6 are more level with little evidence of low and wet areas. It appears that the sale properties rely on water wells and on-site septic systems.

Sale No. 1 is located in Ashland County, Vermillion Township and contains 85.355 acres of land. This property has a dwelling, barn, several outbuildings and has rolling topography. There is a creek running through the property and much of the land is in woods and swamp. The property sold in December 2005 for \$4,979 per acre.

Sale No. 2 is located in Ashland County, Mohican Township and contains 78.987 acres of vacant land. This property is high, sloping and mostly tillable. The property sold in January 2006 for \$4,241 per acre.

Sale No. 3 is located in Ashland County, Milton Township and contains 109.79 acres of land. This property is improved with an older dwelling and several barns and outbuildings. There are two creeks running through the property. The topography is fairly flat in front and slopes down away from the road. It appears that the land is mostly tillable. Utilities consist of electricity and telephone. Water is from a private well and sanitary service is by a septic tank. The property sold in January 2006 for \$3,324 per acre.

Sale No. 4 is also located in northwestern Ashland County in Ruggles Township and contains 46.093 acres of land. The property is improved with an older house in above average condition, a building used as a dog kennel and several other out buildings including a barn. Utilities include electricity and telephone. Water and sewer is by a private well and septic tank. The property sold in January 2006 for \$5,792 per acre.

Sale No. 5 is located in Richland County within Weller Township at the southwest corner of CR Route 243 and Chesrown Road and contains 50.955 acres of land. This is vacant land that is wooded and has a creek running through the site. Utilities available to the site include electricity and telephone. The property sold in September 2005 for \$3,434 per acre.

Sale No. 6 is located in Richland County within Butler Township at 1119 S.R. 603, Ashland, Ohio, 44837 and contains 148.126 acres of land. This property is improved with a main house and a doudy house. There are several out buildings including as barn and small silo. The land appears to be mostly tillable along some pasture. Utilities available include electricity and telephone. Water is by well and sanitary service would be by septic tank

Summary of the Sales Comparison Approach

Subject will be valued in two separate sections, the first section will be 78.08 acres of land and buildings while the 45 acre residual tract is a peat bog and will be valued using a discounted cash flow based on a royalty paid the landowner for each cubic yard of peat removed and sold..

The comparable sale price indications of the unadjusted sales, range from \$2,997 to \$5,792 per acre with improvements. No adjustments have been made to the comparable sales.

These were the best sales available at the time of this appraisal and are considered to be good indicators of value. Based on the tillable land, woods, waste land and improvements, it is the opinion of this appraiser that the subject's 78.08 acres is near the middle of the value range with an estimated value of \$4,500 per acre. 78.08 acres X \$4,500 per acre equals \$351,360 as the estimated value.

The subject property has a 45 acre peat bog which will be valued by discounting the projected income from the bog over a 15 year holding period to arrive an estimated present day value. This assumption is based on having an independent contractor operating the bog and paying a royalty of 10% of the current price per cubic yard which is estimated to be \$16.00 per cubic yard or \$1.60 royalty per CY sold. It is estimated that the bog would produce 47,100 cubic yards of peat

per year. 47,100 CY at \$16.00 per CY equals \$753,600. gross. 10% of the gross is \$75,360. royalty to the landowner. This \$75,360 is discounted at a 15% yield rate for a 15 year holding period to arrive at a present value for the 45 acre bog of \$440,658.

Recapitulation

The 78.08 acre tract of land along with the improvements have an estimated value of \$351,360 and the 45 acre peat bog has an estimated present day value of \$440,658.

78.08 Acres = \$351,360

45.00 Acres = \$440,658

TOTAL \$792,018

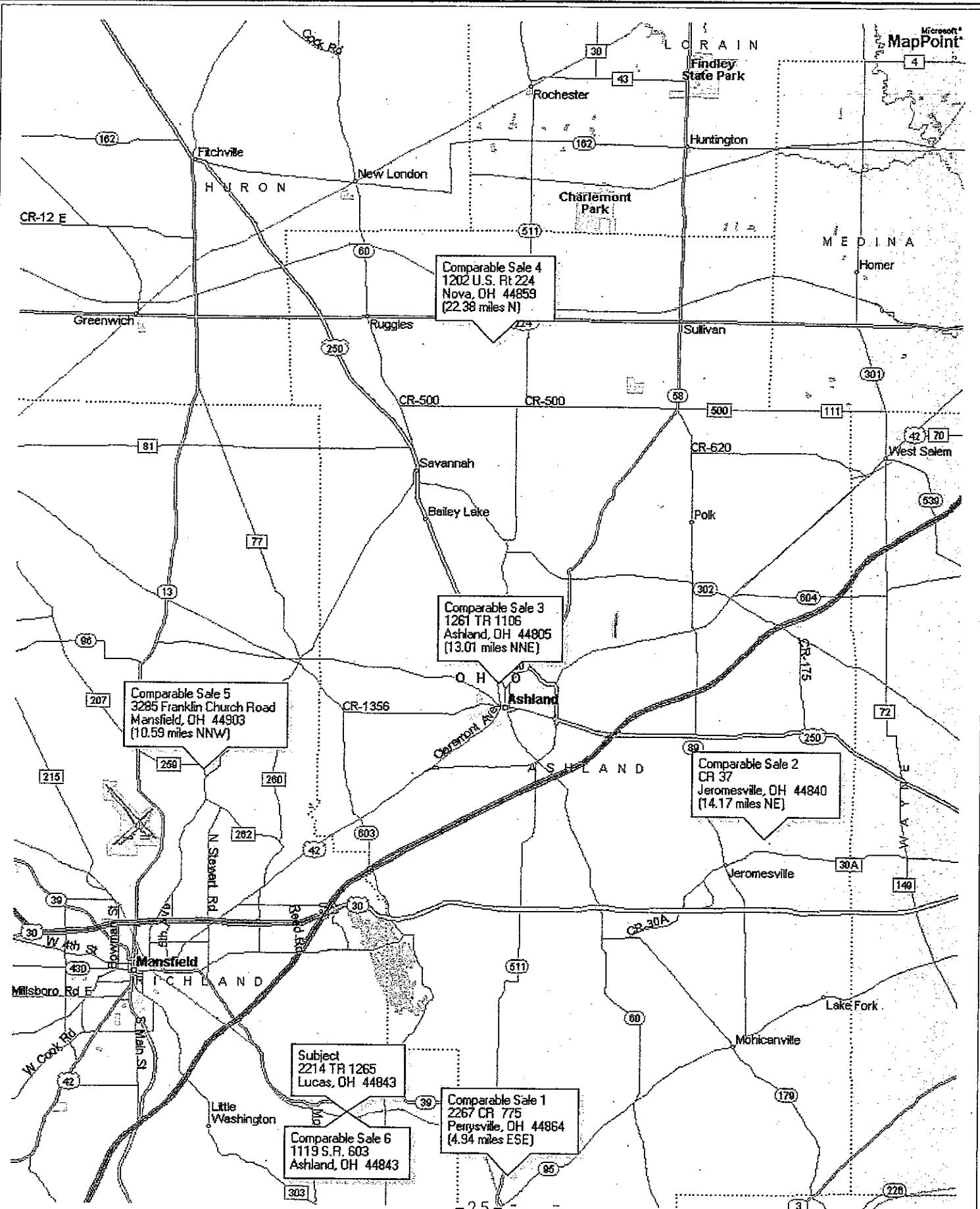
Rounded to \$792,000

Our opinion of the subject's Market Value "As of April 6, 2006" by the Sales Comparison Approach is:

\$792,000

LOCATION MAP

Borrower: File No.: Amos Farley
Property Address: 2214 TR 1265 Case No.:
City: Lucas State: OH Zip: 44843
Lender:



COMPARABLE PROPERTY SALE # 1



LOCATION: 2267 County Road 775, Vermillion Twp, Perrysville, Ohio, 44864

GRANTOR: Dan E. Shepard

GRANTEE: Daniel Wm. Keller

LAND AREA: 85.355 Acres

UTILITIES: Public electric and telephone, and private on-site water and sewer

DATE OF SALE: December 5, 2005

SALE PRICE: \$425,000

PRICE/UNIT: \$4,979/Acre

COMMENTS: Rolling topography, creek runs through property. Improvements include house, large barn, small detached garage. Majority of land is wooded with cattails present.

COMPARABLE PROPERTY SALE # 2



LOCATION: Intersection of County Road 37 and Township Road 2250, Mohican Twp., Jeromesville, Ohio 44840

GRANTOR: James C. Hopkins, et. al.

GRANTEE: Thomas D. and D. Kelly Esselburn

LAND AREA: 77.987 Acres

UTILITIES: Public electric and telephone, and private on-site water and sewer

DATE OF SALE: January 1, 2006

SALE PRICE: \$335,000

PRICE/UNIT: \$4241/Acre

COMMENTS: Vacant land that is mostly tillable and pasture land bordered by woods, with sloping topography

COMPARABLE PROPERTY SALE # 3



LOCATION: 1261 Township Road 1106, Milton Twp, Ashland, Ohio, 44805

GRANTOR: John E. Weaver

GRANTEE: Enos H. and Wilma N. Zimmerman

LAND AREA: 109.79 Acres

UTILITIES: Public electric and telephone, and private on-site water and sewer

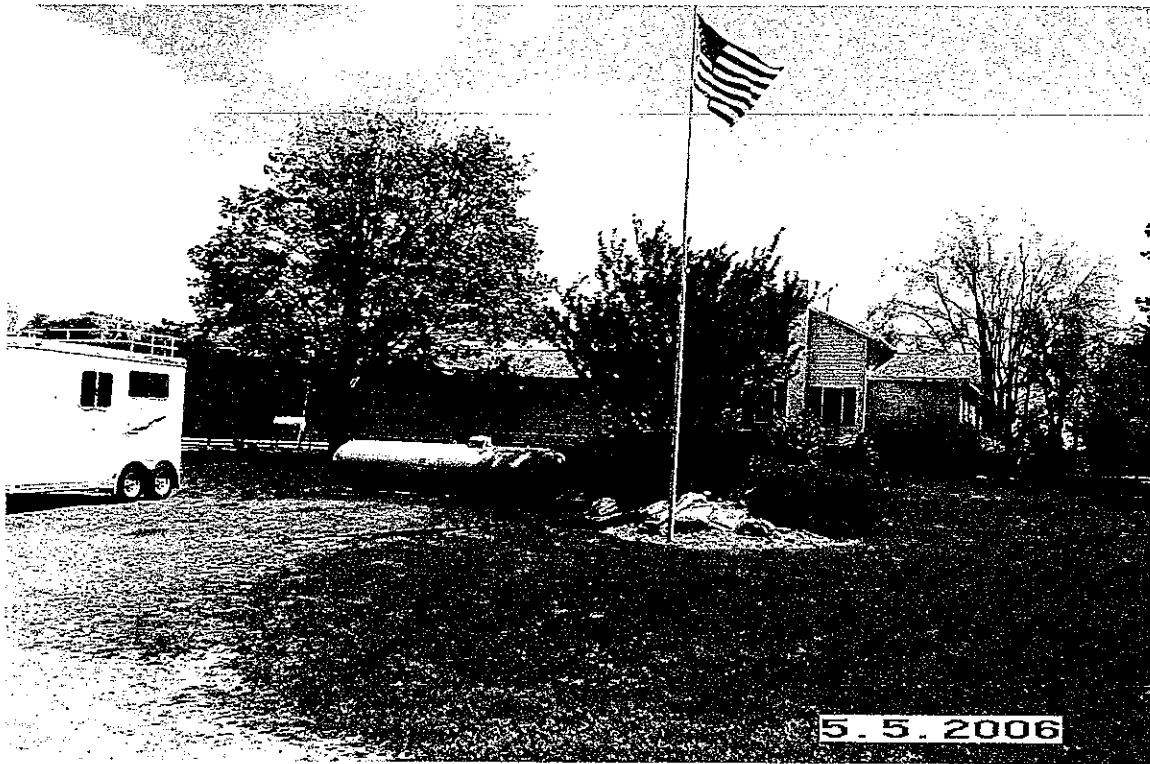
DATE OF SALE: January 31, 2006

SALE PRICE: \$365,000

PRICE/UNIT: \$3,324/Acre

COMMENTS: Land is fairly flat in front of property and slopes to the rear of the property. Land is mostly tillable. Two creeks are in the middle of the property. Improved with older dwelling and several out buildings.

COMPARABLE PROPERTY SALE # 4



LOCATION: 1202 U.S. Route 224, Ruggles Twp., Nova, Ohio, 44859

GRANTOR: James F. Bashan, Sr.

GRANTEE: Jesse E. Chapman IV and Sandra R. Chapman

LAND AREA: 49.093 Acres

UTILITIES: Public electric and telephone, and private on-site water and sewer

DATE OF SALE: January 4, 2006

SALE PRICE: \$267,000

PRICE/UNIT: \$5,792/Acre

COMMENTS: Fairly flat topography. Improved with an older dwelling, 2-car detached garage, and kennels for a bird dog training operation.

COMPARABLE PROPERTY SALE # 5



LOCATION: 3285 Franklin Church Road, Weller Twp., Mansfield, Ohio, 44903

GRANTOR: Kenneth and Sharon Boyce

GRANTEE: Thomas M. and Judy A. Ringler

LAND AREA: 50.955 Acres

UTILITIES: Public electric and telephone, and private on-site water and sewer

DATE OF SALE: September, 2005

SALE PRICE: \$175,000

PRICE/UNIT: \$3,434/Acre

COMMENTS: Vacant land, slightly sloped, creek on property and wooded

COMPARABLE PROPERTY SALE # 6



LOCATION: 1119 S.R. 603, Butler Twp, Ashland, Ohio

GRANTOR: Ure and Mary Yoder

GRANTEE: Alvin and Etta Hoover

LAND AREA: 148.126 Acres

UTILITIES: Public electric an telephone, and private on-site water and sewer

DATE OF SALE: November 19, 2004

SALE PRICE: \$444,000

PRICE/UNIT: \$2,997/Acre

COMMENTS: Land is fairly flat, mostly tillable and pasture. Improved with house, out buildings and small silo.

BUSINESS VALUATION

The valuation of the subject peat business takes into consideration the potential volume of sales as indicated by historic trends of peat sales by U.S. producers, the potential revenue of the business based on an analysis of market prices for both bulk sales and packaged sales, and a projection of expenses to operate the business which is based on cost information provided by the subject property owner and information obtained from outside market sources. Each of these business components are analyzed below, with conclusions reached on each as to their respective contributions to the business. The value of the business is estimated by trending these components of the business for a projected 15 year operating period and discounting the net sale proceeds of each year plus a reversion value at the end of the 15th year to a present value on the effective date of this appraisal. This value estimated for the business consists of all the agents necessary to generate the revenue stream of the business, including the real estate, fixtures, equipment, supplies, labor, capital and the good will of a going concern business.

Analysis of Market Demand and U.S. Producers' Sales Volume

The total volume of peat sales by U.S. producers summarized in the "Analysis of Peat Market" section of this report shows a significant decline in sales from 2000 through 2003. Sales volume is reported as increasing significantly in 2004, to a total volume which is slightly higher than the sales in 2002. The total sales volume by U.S. producers of 687,000 metric tons in 1989 is 94.4% of the total sales in 2002, 92.7% of the total sales in 2004 and 108.7% of the total sales in 2003. The U.S. Geological Survey, Mineral Commodity Summaries, prepared by Mr. Stephen M. Jasinski, estimates the total peat sales by U.S. producers in 2005 increased to approximately 827,000 metric tons. This estimate represents 97.6% of the total sales volume by U.S. producers in 2000 and 100.9% of the total sales volume by U.S. producers in 2001. The report by Mr. Jasinski predicts sales volumes will remain relatively flat for the next several years.

The data gathered and reported by the U.S. Geological Survey clearly shows significant declines in the demand for peat over several years, with demand increasing in 2004 and 2005 to levels approximating the sales volume at the beginning of this decade. A variety of alternatives to peat for soils additives and mulch products have been developed and are competing with peat in the market place. Even though the quality of these products may vary, they are impacting the sales of peat. Thus, with sales volumes predicted to remain relatively flat for several years by the U.S. Geological Survey, the total sales volume of peat by U.S. producers in 2007 and subsequent years is projected to be in the range of 800,000 to 850,000 metric tons.

The total volume of sales by U.S. producers is overwhelmingly consumed by the domestic U.S. market. For the years 2000 through 2005 exports of peat by U.S. producers have represented just 3.6% to 4.6% of their total sales volume. In addition, the trend of these sales has shifted dramatically, with bulk sales representing 57% of market sales in 2000 and 74% of the total sales volume in 2004. The sale of peat in a bulk form represented a steadily increasing percentage of the total market volume during this five year period. Reed sedge peat represents the vast majority of total sales volume by U.S. producers. By volume, this type of peat typically

represents 84% to 86% of the total sales volume. This sales volume of reed sedge is directly tied to its superior quality over other types of peat for the most common uses of the product. More than 70% of its annual sales volume is used for ingredients in potting soils. Between 20% and 25% of its annual sales volume is used in general soil improvement products. These two use categories, alone, represent approximately 95% of the annual sales volume of U.S. producers. No other type of peat has sales volumes in these two categories of uses which even remotely resemble the quantities of reed sedge used.

The annual report on peat production and sales for 2004, prepared by Steven Jasinski, of the U.S. Geological Survey, shows approximately 27.7% of the total peat harvested by U.S. producers for the year was harvested in the Great Lakes region which includes Ohio. However, approximately 29.8% of the total quantity of peat sold in 2004 by U.S. producers was from the Great Lakes region. Two of the three states with the largest supplies of peat, Michigan and Minnesota, are in the Great Lakes region. The other states in the Great Lakes region, Wisconsin, Illinois, Indiana and Ohio, have substantially smaller quantities of peat and are much smaller producers than Michigan and Minnesota. Specific to reed sedge peat, there are a total of 31 bogs in the Great Lakes region which have been reported in various studies as being harvested by U.S. producers. The Hyponex Corporation operates five of these bogs, Michigan Peat Company operates two of the bogs and the rest are independently operated. Throughout the entire country, excluding Alaska, there are a total of 68 reed sedge bogs being operated by U.S. producers. For various reasons, these bogs are sometimes operated on an intermittent basis. Thus, all 31 bogs in the Great Lakes region and the 37 bogs in other parts of the country are not all being harvested at the same time. Production on a year to year basis, however, does not correspond to the year to year sales volumes. This indicates producers have periodically harvested more peat than they are able to sell in a given year.

The operating year identified as the base year for operations and sales in this report is 2007. The estimated volume of sales by U.S. producers for all types of peat in the entire country is estimated at 825,000 metric tons. The reported production of all types of peat in the Great Lakes region during 2004 was 27.7% of the entire country's production; and the metric tons sold by producers in the Great Lakes region during 2004 was 29.8% of the total volume sold by U.S. producers. With the subject bog in operation, the sales volume of all types of peat by producers in the Great Lakes region during 2007 is estimated at approximately 30% of total U.S. producer sales, or 247,000 metric tons. Converting these metric tons to American pounds, the total volume of sales estimated for the Great Lakes region in 2007 is 553,000,000 pounds.

As previously noted in this report, the volume of reed sedge peat sales by U.S. producers has ranged from 84% to 86% of the producers total sales. The estimate of reed sedge peat sales, then, during 2007 is estimated at 85% of the total volume sold for the Great Lakes region, as well as the entire country. Trending the other types of peat sales forward to 2007, sphagnum moss sales are estimated at approximately 8% of the total volume sold and a combination of hypnum moss and humus sales are estimated at approximately 7% of total volume sales. In American pounds, these percentages for the entire country equate to 148,000,000 of sphagnum moss, 129,000,000 of hypnum moss and humus and 1,571,000,000 of reed sedge peat. For producers in

the Great Lakes region, these percentages estimated for 2007 represent 44,000,000 pounds of sphagnum moss, 39,000,000 pounds of hypnum moss and humus, and 470,000,000 pounds of reed sedge peat.

The most recent data available shows the sale in bulk of reed sedge peat has exceeded 70% of the total volumes sold. In recent years, however, the volume sold in bulk has approximated 70%. Thus, in 2007 bulk sales are estimated at 70% of the total volume sold and packaged reed sedge is estimated at 30% of the total volume sold. These ratios are applied to the Great Lakes region producer sales as well as the entire country. These sales volumes, then, for 2007 represent 1,100,000,000 pounds in bulk and 471,000,000 pounds in packaged sales throughout the entire country. The sales volumes for the Great Lakes region producers are estimated at 329,000,000 pounds in bulk and 141,000,000 pounds in packaged sales.

A summary list of reed sedge peat producers in the contiguous U.S. states is provided in the Addenda to this report. This is not an exhaustive list; but it identifies those producers who volunteered information on their operations. The subject is one of 31 reed sedge bogs reported in the Great Lakes region. However, three of the bogs in Ohio are small and two of these are reported to be idle. In addition, three bogs in Minnesota are reported as idle and three bogs in Michigan are also reported as idle. Thus, the subject is projected to be one of no more than 23 bogs actively producing and selling in 2007. The stated intentions of the subject owner are to harvest the peat at the level accommodating the maximum commercial sales volume possible. Based on this type of production and sales operation, the subject's volume of sales are estimated at 10% of the total sales of reed sedge peat by Great Lakes region producers. This percentage of the total estimated sales volume represents 47,000,000 pounds. Allocated on the 70/30 ratio for the type of sales, 32,900,000 pounds will be sold in bulk and 14,100,000 pounds will be sold packaged.

Data collected by the U.S. Department of the Interior, Bureau of Mines in its 1989 study of the peat market reported the average weight per cubic yard of the peat sold to be in the range of 945 pounds to 950 pounds. In his 1995 report on the volume of peat in the subject bog, John M. Ackerman, consulting geologist reported the weight per cubic yard at approximately 1,300 pounds. Our own calculations of the weight per cubic yard of reed sedge peat is the range of 1,000 pounds to 1,100 pounds per cubic yard. For this analysis, then, the weight per cubic yard of the reed sedge peat is estimated at approximately 1,000 pounds. Based on the sales volume estimated for the subject in 2007, the bulk sales represent 33,000 cubic yards and the packaged sales represent 14,100 cubic yards. The total volume of sales, then, is estimated at 47,100 cubic yards, which represents just 1.91% of the subject bogs peat calculated by the consulting geologist, John Ackerman.

Estimate of Gross Sales Revenue

The table included in the section of this report titled "Analysis of Peat Market" summarizes packaged prices and bulk prices obtained from a number of retail and wholesale outlets in the central Ohio market area, northeast Ohio market area and the subject's local market area.

Information obtained on packaged products shows all types of peat and organic mixes are typically retailed in 40 lb., 2.0 c.f. or 3.8 c.f. bags. A 1.0 c.f bag weighs approximately 38 to 39 pounds. Thus, it most closely approximates the 40 lb. bag. The sphagnum peat is most commonly cut and sold in bales ranging in size from 1.0 c.f to 3.8 c.f. Prices for the sphagnum are generally about the highest of any of the peat based products on the market.

The humus peat is considered to be very similar to the reed sedge peat. To some extent, peat producers use humus in place of reed sedge in some organic mix products. The humus and reed sedge products are typically sold in either 40 lb. bags or 2.0 c.f. bags. Retail prices of humus based products range from \$1.59 to \$2.65 for a 40 lb. bag. Retail prices for reed sedge based top soil products are \$1.99 for a 40 lb. bag, \$2.99 for a 50 lb. bag, and from \$2.50 to \$2.75 for 2.0 c.f. bag. Retail prices for reed sedge based potting soil products are somewhat more expensive. Prices obtained for these products range from \$1.99 for a 20 lb. bag, \$4.99 for a 40 lb. bag, and \$3.99 for a 40 qt. container. In addition, Anderson's retails a 20 lb. bag of garden soil, which is a reed sedge based product, for \$2.49. A buyer and a manager of two retail chains stated their mark-ups for these retail prices are in the area of 33% to 35% over the wholesale prices they pay for the products. The retail prices obtained for reed sedge based products range from \$1.99 for a 40 lb. bag of top soil to \$4.99 for a 40 lb. bag of potting soil. Taking into consideration the various types of reed sedge based products on the market and the spreads obtained by the retailers over their wholesale prices, the average wholesale price estimated for the subject bogs peat is \$2.00 in quantities of 40 lb. bags.

The volume of packaged sales estimated for the subject in 2007 is 14,100,000 pounds. At 40 lbs./bag, this weight volume of sales represents 352,500 bags. At the estimated average price of \$2.00/bag the 352,500 bags will generate gross wholesale revenues of \$705,000 in 2007.

Bulk sales of reed sedge are typically wholesale priced by the cubic yard. However, two sources contacted, Mayhews Tree Farm and Green Valley Growers, retail directly to individual customers at \$20.00 per cubic yard and \$18.00 per cubic yard, respectively. Another Ohio based producer, Earth-n-Wood, wholesales bulk quantities of reed sedge peat for \$16.00 per cubic yard. Taking into consideration the comparatively remote location of the farm containing the subject peat bog and the nature of past and anticipated future bulk sales described by the property owner, the wholesale market is considered to be the source of bulk sales for the subject. Consequently, the estimated price for the bulk sales is \$16.00 per cubic yard. The quantity of bulk sales for the subject has been estimated at 32,900,000 pounds or 33,000 cubic yards. With sales of 33,000 cubic yards and a price of \$16.00 per cubic yard, the estimated gross wholesale revenue from bulk sales is \$528,000 in 2007.

Based on the analysis of sales volumes in this report, the volume of the subject's reed sedge peat which can be sold in future years is not changed from the estimate for 2007 of 47,000,000 pounds, or 47,100 cubic yards. However, an analysis of sales information presented in the peat market reports for 1989 by the U.S. Department of the Interior, Bureau of Mines and for the years 2000 through 2004 by the U.S. Geological Survey Minerals Yearbook shows price increases over a 15 year period of time ranging from 10% to 16% per year. Because of this historic trend of

price increases, the annual revenues beyond 2007 are increased a relatively conservative 10% per year. Gross sales revenues estimated for 2007, then, for the combined bulk and packaged sales are \$1,233,000.

A projection of operations over 15 years, starting in 2007, is estimated in this report. Increasing it 10% per year, the gross sales revenues increase from \$1,233,000 in 2007 to \$4,682,313 in 2022. The sum of the gross sales revenues projected over this 15 year operating period is \$39,175,454. Deducting expenses from these projections of gross sales revenues provides net sale proceeds for each of the 15 years in the projection period which can be discounted to a present value on the effective date of this appraisal report. Revenues, expenses and net sale proceeds are also estimated for a 16th year. This projection in a 16th year provides a Pro Forma Operating statement with a net income which can be capitalized into an estimate of value for the property at the end of the 15th year. This capitalized value estimate of the business property is also part of the discount to a present value on the effective date of this report.

Estimate of Business Expenses

Expenses are estimated to cover the cost of operating and maintaining the real property and equipment, acquire all necessary supplies and pay all personnel costs necessary to harvest the peat and process it for sale in both bulk and packaged quantities. This estimate of expenses includes both operating expenses and contributions to a reserve account on an annual basis to replace equipment. Explanations of each of the line item expenses is provided below.

Equipment already owned by the subject bog operator and available for use in the ongoing operation of this business include the tower and bulldozer used to pull the drag line over the small bog, three dump trucks for hauling the harvested peat from the bog to the processing area, conveyor lines, a conveyor belt assembly line with bagger and shrink wrap machine to wrap bags of the peat mix product on pallets for shipping. There also is a forklift and an additional bulldozer. All of this equipment is older and will require varying levels of maintenance and repairs to be put back into service. To achieve the maximum sales volume possible for the peat processing operation, the owner has identified a number of additional pieces of equipment which are necessary. The additional equipment consists of two stackers and automatic baggers, a crane excavator, two used loaders, a feed type mixer, three used dump trucks, a hydrachoe, and two used forklifts. Most of this additional equipment is expected to be used. The cost of this additional equipment has been estimated by the property owner at \$955,000. The useful lives of this equipment will vary; but as mostly used equipment and a 15 year operating projection in this report, the budget for contributions to a reserve account to replace the equipment is based on a 15 year operating life. For most of the equipment placed into service, a consistent maintenance program will be required to achieve this 15 year operating life. This maintenance budget is addressed as one of the line item operating expenses. The total cost to replace the equipment is estimated at \$1,000,000. The annual contributions over the 15 year projection period are assumed to be invested in safe, interest bearing accounts earning an average of 6% per annum over the 15 years. At this interest rate, \$42,963 must be invested each year to have \$1,000,000 in the reserve account in 15 years.

Operating expenses identified for the business are personnel salaries, taxes and benefits, shipping costs, electric utilities, fuel and oil costs for the operation of the trucks and equipment, maintenance and repairs to the equipment and building, real estate taxes, fire and extended coverage insurance on the building and liability insurance on the property and the business, accounting fees, legal fees, bank charges and miscellaneous expenses, a fee for the general management of the business, marketing and advertising expenses, and supplies. The annual cost of each of these operating expenses for 2007 is estimated below. Since 2000, business operating expenses have been increasing at the rate of 2% to 4% per year. However, over an extended period of time a variety of economic conditions will most likely cause periodic larger increases in the annual expenses. Thus, for the 15 year operating projection beyond 2007, expenses will be increased a straight line average of 5% per year.

Based on the historic operations of the subject peat business and the potential of two processing and bagging lines, a minimum of seven employees will be required for the future operations. The wage rate for these employees is estimated to range from \$10.00 to \$15.00 per hour. A midrange average of \$12.50 per hour is utilized in this analysis. Additional personnel costs to the employer for state and federal unemployment taxes, workers' compensation, 50% of the social security and medicare benefit and 50% of the premium of a basic health insurance plan are estimated at 24% of the employees wages, or \$3.00 per hour. Thus, the total average cost of the employees is estimated at \$15.50 per hour. Depending on the sales volume of the business these employees will be needed 35 to 40 weeks of each year to assist in the harvesting of the peat, the drying process and its processing and bagging for sale and shipment. For this analysis, the personnel costs are estimated for a 40 week work year. In 2007, these personnel costs total to \$173,600.

In this analysis it is assumed the buyers of bulk peat orders will transport the peat themselves or pay the cost themselves of having the peat shipped to them. Shipping the packaged peat, however, will be an expense that has to be absorbed by the operator of the subject peat business. The subject property owner has indicated that in previous year's operations shipments of the packaged peat was done by semi-truck. The analysis of sales volume in this report estimates there will be a total of 352,500 bags of the peat based products sold and shipped in a year. With semi-truck loads of 1,000 to 1,080 bags per trip, a total of 350 semi loads are estimated. Shipping distances will obviously vary greatly. However, it is estimated the large majority of sales will be distributed to locations throughout Ohio and in the contiguous states of Michigan, Indiana, Kentucky, and Pennsylvania. Based on this market area, the average shipping distance is estimated at 250 miles. Based on information obtained from trucking companies operating out of Ashland County and central Ohio a 250 mile haul with 2 stops for deliveries will cost \$787.50. At this cost per shipment and an estimated total of 350 semi loads, the total shipping costs estimated for 2007 are \$275,625.

Electric utilities will be required for the building containing the processing and bagging lines and for all of the equipment required to handle this processing and bagging. A four month period of time is estimated for the processing, bagging and shipping of the packaged peat products. During this four month period of time, electricity will be required to operate the equipment, heat the

building and light the building. The electric costs are estimated at \$600 per month during this four month period. During the remaining eight months of the year, electric will be to light the building, occasionally heat the building, and occasionally operate some of the equipment. The utility costs during these eight months are estimated at \$150 per month. The total electric utility charges, then, for 2007 are estimated at \$3,600.

Fuel and oil expenses will be incurred to operate the engines running the shovels on the dredging lines, the dump trucks hauling the peat, the bulldozers, the hydrachoe and the forklifts. The most concentrated use of the trucks and equipment will be during the time the peat is being harvested from the bog. Utilization, then, is based on eight hour work days, for a total of 90 days. Operating five or six dump trucks, as well as the other pieces of equipment identified, results in an estimated consumption of 65 gallons of fuel each day and 1 quart of oil per day. For 2007, the cost of fuel is estimated at \$2.75 per gallon and the cost of oil is estimated at \$2.00 per quart. These costs total to \$18,068 for the year.

Maintenance and repairs will periodically be required to the building containing the processing and bagging operation. The building is a standard steel structure with rib metal panel walls and roof. However, the structure, in particular the roof, will occasionally need some maintenance; and the building contains lights and heating elements which will periodically need maintenance or repairs. Additionally, the businesses' existing equipment and trucks are older units and most of the additional equipment and trucks purchased will be used. Wear and tear on the trucks and equipment will be significant. With the existing and additional used trucks and equipment and the wear that is anticipated on them, a budget of \$20,000 is estimated for 2007.

The current annual real estate taxes on the subject property are \$4,438. These are the taxes for 2005, payable in 2006. This annual tax expenditure is relied upon for the estimate of expenses in 2007.

Fire and extended coverage insurance will be necessary on the building used for the processing and the bagging of the peat. Liability insurance coverage will also be necessary on this building and on the grounds of the subject property. In addition, liability insurance will be required on the business operation, itself. The cost of these various insurance coverages is estimated at \$2,000 for the 2007 annual budget.

Accounting and legal fees, bank charges and miscellaneous expenses are estimated at \$15,000 for 2007. Accounting expenses include quarterly reports and filings for workers' compensation, unemployment compensation and income taxes. The accounting will also involve a year end report for the business and the annual tax returns. Legal services will be necessary for contracts with buyers of the peat, company operations matters and occasional personnel issues. To cover these various expenses, as well as bank charges and various miscellaneous expenses, the estimate of \$15,000 for 2007 is considered to be the minimum reasonable budget.

General management and overseeing of business operations is essential for any successful business. The annual cost of this management expense for the subject peat business is estimated

at 5% of the annual gross sales revenues. The gross sales revenues estimated for 2007 are \$1,233,000. At 5% of these gross revenues, the management fee in 2007 will be \$61,650.

Marketing and advertising will be a critical part of this peat business. This budget will include a field representative marketing to potential buyers, telephone expenses, and promotional and advertising expenses such as yellow page phone book ads, fliers, brochures and mailing expenses. This annual budget is estimated at 7% of the annual gross sales revenues. For 2007, then, 7% of the \$1,233,000 gross sales revenues is \$86,310.

Bags for packaging the peat based products and the shrink wrap material required for shipping are not included in miscellaneous expenses. Because of their significance to the operation of the peat business, they are treated as separate supply expense items. Their combined cost is estimated at \$0.10 per bag. With the packaged sales estimated at 352,500 bags for 2007, this annual expense will be \$35,250.

Total expenses estimated for 2007 are \$738,504. This includes all operating expenses and the estimate of payments to a reserve account for replacement of equipment. Deducting these estimated expenses from the gross sales revenues projected for 2007 of \$1,233,000 results in net sale proceeds of \$494,496. These estimates of gross sales revenues, expenses and net sale proceeds serve as the basis for the projections of sales revenues, expenses and net proceeds through the year, 2022. A pro forma operating statement for 2007, summarizing the estimates of revenues and expenses, is provided on the following page.

2007 Pro Forma Operating Statement

Gross Sales Revenue		\$1,233,000
Less Expenses		
Annual Reserves to Replace Equipment \$1,000,000 at 6% in 15 Yrs.	\$ 42,963	
Operating Expenses		
Personnel Salaries, Taxes and Benefits Avg. \$15.50/Hr for 7 employees over 40 weeks	\$ 173,600	
Shipping Costs 350 Semi-loads at \$787.50/Load	\$ 275,625	
Electric 4 Mos. at \$600/Mo. + 8 Mos. at \$150/Mo.	\$ 3,600	
Fuel & oil Costs for Equipment Fuel (65 Gal./Day at \$2.75/Gal.) X 90 Days Oil (1 Quart/Day x 11 Mach.) X 90 Days	\$ 18,068	
Maintenance and Repairs - Equipment and Buildings	\$ 20,000	
Real Estate Taxes	\$ 4,438	
F & EC and Liability Insurance	\$ 2,000	
Accounting, Legal, Bank Charges and Misc.	\$ 15,000	
Management Fee 5% of \$1,233,000 Gross Revenues	\$ 61,650	
Marketing and Advertising	\$ 86,310	
Bags for Packaging and Shrink Wrap 352,500 Bags at \$0.10/Bag	<u>\$ 35,250</u>	
Total Expenses, All Sources		\$ 738,504
Net Sale Proceeds		\$ 494,496

Present Value Discount Analysis

To provide a market value estimate of the subject peat business, the 15 year projection of operations and the resulting net sale proceeds and estimated value of the business at the end of the 15th year must be discounted to a present value on this appraisal's effective date. To complete this analysis an overall rate of return to capitalize the businesses' net income projected in the 16th year of operation and a yield rate to discount the annual net incomes and the capitalized value estimate are needed. Development of these rates is described below.

The overall rate of return represents a capitalization factor applied to the net income of 1 year's operation which is assumed to reflect the stabilized operation of the business. This capitalization rate reflects the return on and of equity capital invested in the business, the interest payments on any borrowed money and the repayment of borrowed money. This capitalization rate must also take into consideration the rates and terms applicable to real estate financing and investment in combination with the rates and terms applicable to business financing and investment. Combination on a weighted basis of the capitalization rates applicable to the real estate and business components provides one overall rate of return used to capitalize the net sale proceeds of the subject business in its projected 16th year of operation. This capitalized value estimate is for the entire business, consisting of the required land, building, equipment, supplies, personnel, capital and goodwill of the going concern business. For purposes of this analysis, the real estate component is estimated to represent 25% of the total business value and the other components represent 75% of the total business value.

Typical loan terms on farm properties similar to the subject consist of a stabilized interest rate in the area of 7.75% to 8.25% for a 15 year holding period, a 15 year loan amortization, 75% loans to value, and debt coverages representing 125% of the estimated net income from the property. Applying the debt coverage ratio formula to the loan terms of an 8.0% interest rate, a 15 year amortization, a 75% loan and 125% debt coverage ratio provides a capitalization rate for the real estate component of 11.726%.

Financing for the 75% business interest is comprised of a 50% business loan floating at the prime rate plus 1.5% to 2.0%, amortized over 10 years. The owner's 50% equity position is estimated to have a 20% yield rate. This yield rate on the equity represents a return on and of the equity capital investment. Using the band of investment technique, a 9.75% stabilized business loan interest rate and 10 year term provides a capitalization rate for the business component of 17.846%. Combining the capitalization rates for the real estate and business based on their respective contributions to the total business value provides a composite overall rate of return of 16.32%. Capitalizing the net income of \$3,024,289 estimated for the businesses' 16th year of operation by this 16.32% overall rate of return provides a value estimate for the business at the end of the 15th year of \$18,531,000.

Calculation of Overall Rate of Return

Business Component (75%)

0.15692 Loan Constant (9.75% for 10 Yrs.) x 50% Loan =	0.07846
0.20 Equity Yield x 50% Equity =	<u>0.10000</u>
Business Capitalization Rate	0.17846

Real Estate Component (25%)

0.11468 Constant (8% for 15 Yrs.) x 75% Loan =	0.08601
0.125 Divided Rate x 25% Equity =	<u>0.03125</u>
Real Estate Capitalization Rate	0.11726

Composite Rate

0.17846 Business x 0.75 =	0.13385
0.11726 Real Estate x 0.25 =	<u>0.02932</u>
Overall Capitalization Rate	0.16317

The discounting to present value of the annual net sale proceeds and the capitalized value estimate at the end of the 15 year holding period is by a market competitive 20% yield rate. This yield rate must be competitive with yields available to investors in other types of capital investments. The combination of stock dividends and growth in stock values has many stock investments providing returns on the investments of 8% to 13% per annum. Investments in the capital markets generally provide equivalent or even higher returns on investment than the stock markets. The return on capital invested in this business must be competitive with returns available in these other types of investments, and it must be commensurate with the level of risk associated with this business. In addition, this equity yield rate must provide for the return of the capital invested in the business, as well as the earnings on the business investment. Finally, the projection of sales revenues and expenses reflects significant inflation in both of these categories. The yield rate must be high enough to provide a market competitive rate of return on the capital invested over the entire 15 year holding period, taking into consideration the projected rates of inflation. The 20% yield rate is considered to be adequate to provide a competitive return on the capital invested, as well as pay back the original equity investment over the holding period.

The table of projected revenues and expenses shows the annual projections of gross sales revenues, operating expenses and replacement reserves and net sale proceeds for the 15 year holding period and for the 16th reversion year. With sales revenues increasing at the rate of 10% per year, gross sales revenues increase from \$1,233,000 in year one to \$4,682,315 in year 15. Expenses are increased at a more modest rate of 5% per year; but they still show significant increases from \$738,504 in year one to \$1,932,962 in year 15. The impact on net sale proceeds of these rates of inflation on gross sales revenues and expenses is even more dramatic. On a straight line basis, the net sale proceeds increase at the rate of 30% per year, from \$494,496 in year one to \$2,749,353 in year 15. Discounting the annual net sale proceeds and the capitalized value of the business in year 15, based on projections of revenues and expenses in year 16, at the 20% yield rate provides a present value estimate for the subject business of \$5,800,619, which is rounded to \$5,800,000.

TABLE OF PROJECTED REVENUE AND EXPENSES

Gross Sales Revenues	1	2	3	4	5	6	7	8
	\$1,233,000	\$1,356,300	\$1,491,930	\$1,641,123	\$1,805,235	\$1,985,759	\$2,184,335	\$2,402,768
Operating Expenses and Replacement Reserves	<u>\$738,504</u>	<u>\$775,429</u>	<u>\$814,201</u>	<u>\$854,911</u>	<u>\$897,666</u>	<u>\$942,539</u>	<u>\$989,666</u>	<u>\$1,039,149</u>
Net Sale Proceeds	\$494,496	\$580,871	\$677,729	\$786,212	\$907,579	\$1,043,220	\$1,194,669	\$1,363,619
	9	10	11	12	13	14	15	16
	\$2,643,045	\$2,907,350	\$3,198,084	\$3,517,893	\$3,869,682	\$4,256,650	\$4,682,315	\$5,150,547
	<u>\$1,091,107</u>	<u>\$1,200,217</u>	<u>\$1,320,239</u>	<u>\$1,452,263</u>	<u>\$1,597,489</u>	<u>\$1,757,238</u>	<u>\$1,932,962</u>	<u>\$2,126,258</u>
	\$1,551,938	\$1,707,132	\$1,877,845	\$2,065,630	\$2,272,193	\$2,499,412	\$2,749,353	\$3,024,289

Yield Rate for PV Discount -20.0%

Capitalization Rate for Reversion -16.32%

Reversion Year Valuation \$3,024,289/0.132 = \$18,531,000

Present Value - \$5,800,619

Round To \$5,800,000

RECONCILIATION AND FINAL VALUE CONCLUSION

The value estimated for the subject property in this appraisal report are restated below.

Farm Value by Sales Comparison Approach	\$ 792,000
Value of Business F,F&E and Goodwill	\$5,008,000
Total Business Valuation	\$5,800,000

The value of the farm land and buildings has been estimated by analyzing the acreage in the peat bog based on its rental income potential as expressed in a royalty fee paid by a lessee who would extract the peat for sale and by analyzing the subject's remaining acreage in comparison to other agricultural and large acreage sales in Ashland and Richland counties. The peat business has been valued by analyzing market data on sales volumes, retail and wholesale prices for peat products, operating expenses and discounting the resulting net sale proceeds to a present value. The allocation to the business F,F&E and Goodwill is provided by deducting the value of the farmland and buildings from the total business value.

The subject property owner has provided information indicating the cost to set-up the peat business for operation will be approximately \$1,600,000. Allowing for some additional costs, including financing fees, appraisal and survey fees, legal fees, and miscellaneous expenses, the cost to return to full operation could be as much as \$2,000,000. This set-up cost represents 35% of the appraised value of the business as a good going concern. Thus, the value estimated for the business is very adequate to support the set-up cost.

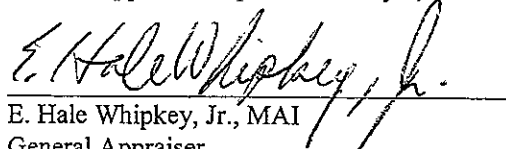
CERTIFICATE OF APPRAISAL

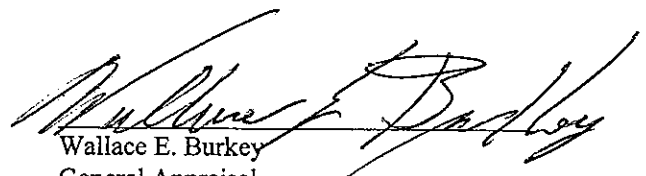
I/We certify that, to the best of my knowledge and belief . . .

1. The statements of fact contained in this report are true and correct.
2. The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my/our personal, unbiased professional analyses, opinions, and conclusions.
3. I/We have no present or prospective interest in the property that is the subject of this report and I/we have no personal interest or bias with respect to the parties involved.
4. My/Our 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.
5. My/Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council and the Appraisal Foundation.
6. I/We have made a personal inspection of the property that is the subject of this report.
7. Unless otherwise specified here, no one provided significant professional assistance to the person or persons signing this report. Michelle Callahan and Theresa D'Amico provided extensive assistance in the research of market data and the analysis of this data.
8. I/We do not authorize the out-of-context quoting from or partial reprints of this appraisal report.
9. I/We certify that this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
10. I/We certify that, to the best of my/our knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
11. I/We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, I, E. Hale Whipkey, Jr. have completed the requirements of the continuing education program of the Appraisal Institute.

Date of Appraisal: April 6, 2006

Date of Appraisal Report: May 5, 2006


E. Hale Whipkey, Jr., MAI
General Appraiser
State Cert. #380365


Wallace E. Burkey
General Appraisal
State Cert. #440251

APPRAISER DISCLOSURE STATEMENT
In compliance with Ohio Revised Code Section 4763.12 (C)

1. Name of Appraiser Everett H. Whipkey, Jr.

2. Class of Certification/Licensure: Certified General
 Licensed Residential
Certification/Licensure Number: 380365 Temporary General Licensed

3. Scope: This report is within the scope of my Certification or License.
 is not within the scope of my Certification or License.

4. Service Provided By: Disinterested & Unbiased Third Party
 Interest and Biased Third Party
 Interested Third Party on Contingent Fee Basis

5. Signature of person preparing and reporting the appraisal.


Everett H. Whipkey, Jr.

This form must be included in conjunction with all appraisal assignments or specialized services performed by a state-certified or state-licensed real estate appraiser.

**State of Ohio
Department of Commerce
Division of Real Estate
Appraiser Section
Cleveland (216) 787-7300**

APPRAISER DISCLOSURE STATEMENT

In compliance with Ohio Revised Code Section 4763.12 (C)

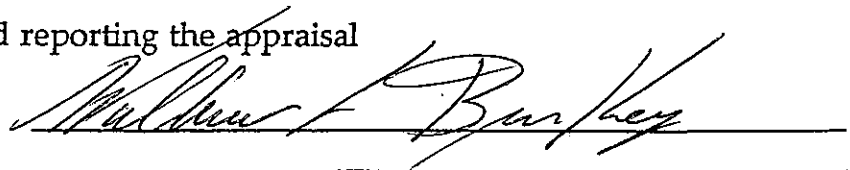
1. Name of Appraiser Wallace E. Burkey

2. Class of Certification/Licensure: Certified General
 Licensed Residential
 Temporary General Licensed
Certification/Licensure Number: 440251

3. Scope: This report is within the scope of my Certification or License.
 is not within the scope of my Certification or License.

4. Service Provided By: Disinterested & Unbiased Third Party
 Interested & Biased Third Party
 Interested Third Party on Contingent Fee Basis

5. Signature of person preparing and reporting the appraisal



This form must be included in conjunction with all appraisal assignments or specialized services performed by a state-certified or state-licensed real estate appraiser.

State of Ohio
Department of Commerce
Division of Real Estate
Appraiser Section
Cleveland (216) 787-3100

QUALIFICATIONS

E. HALE WHIPKEY, JR., MAI
168 DORCHESTER SQUARE
WESTERVILLE, OHIO 43081-7300
Ph: (614) 882-3122 Fax: (614) 882-4581

EDUCATION

B.A., Political Science, Wittenberg University, 1972
Master's Degree, City and Regional Planning, The Ohio State University, 1975

Continuing education from 1981 to present for real estate license renewal and appraiser recertification.

Currently certified by the Appraisal Institute (MAI designation).

Professional education from the Appraisal Institute includes:

Course 110: Appraisal Principles	Course 420: Standards of Professional Practice, Part B
Course 120: Appraisal Procedures	Course 510: Advanced Income Capitalization
Course 310: Basic Income Capitalization	Course 540: Report Writing and Valuation Analysis
Course 410: Standards of Professional Practice, Part A	Course 550: Advanced Applications
	Course 8: Residential Valuation
Appraisal Institute, 1999 Instructor Leadership Conference	

BUSINESS EXPERIENCE

1987 to Present	Principal of Urban Information Services, a real estate consulting and appraisal company, and Broker of Westerville Realty
1978 - 1987	Fee appraiser and real estate brokerage with Westerville Realty
1976 - 1978	Appraiser for State of Ohio, Department of Tax Equalization

ASSOCIATIONS

MAI designation, The Appraisal Institute
Certified General Real Estate Appraiser, State of Ohio, Certification 380365
Associate member of the American Planning Association
Licensed Real Estate Broker in Ohio; membership in Columbus
Board of Realtors, Ohio and National Associations of Realtors

REPRESENTATIVE APPRAISAL CLIENTS

American National Bank	Capital City Urban Redevelopment Corp.
Bank One, N.A.	City of Columbus, Ohio
Fahey Bank	City of Newark, Ohio
Champaign National Bank	City of Reynoldsburg, Ohio
Citizens Bank of Logan	Farmers Home Administration
Commerce National Bank	Federal Bankruptcy Court
Commercial Savings Bank	Fred J. Milligan, Jr., LPA
Common Goal Capital Group	Fred Siegel Company, LPA
Fifth Third Bank	William M Schumann, LPA
Huntington National Bank	Thompson, Hine, & Flory, LLP
Key Bank	Health Care Data Systems
Metropolitan Savings Bank	LTC Management Services
National City Bank	St. Catherine's Health Care Management
Red Mortgage Capital, Inc.	Resolution Trust Corporation (RTC)
Sky Bank	Bale, Begin & Associates Ltd., Attorney's
South Trust Bank of Alabama	U.S. Department of Housing and
York Financial Corporation	Urban Development
Unizan Bank	Westerville Public Library

QUALIFICATIONS - WALLACE E. BURKEY

168 Dorchester Square, Westerville, Ohio 43081
 (614) 882-3122

EDUCATION

3 ½ Years at Ohio State University - Agricultural Economics

PROFESSIONAL COURSES - AMERICAN INSTITUTE APPRAISAL COURSES

Course No.	Course Description
Course 101	Appraisal Principles
Course 110	Appraisal Principles
Course 120	Appraisal Procedures
Course 210	Residential Case Study
Course 310	Basic Income Capitalization
Course 510	Advanced Income Capitalization
Course 540	Report Writing & Valuation Analysis
Course 550	Advanced Applications
SPPA	Standards of Professional Practice, Part A
SPPB	Standards of Professional Practice, Part B

BUSINESS EXPERIENCE

1999 - Current	Independent Fee Appraiser
1998	Appraiser with Urban Information Services
1998	Appraiser with Porter and Peck Appraisers
1997	Retired
1977 - 1997	Appraisal Supervisor, Div of Tax Equalization, Ohio Dept of Taxation
1975 - 1977	Independent Fee Appraiser
1972 - 1975	Chief Appraiser - The Kissell Company
1969 - 1972	Appraiser with J.F. Poisson & Associated
1968 - 1969	Appraiser/Office Manager with Compraisal Corporation
1965 - 1968	Appraiser with Ohio Department of Transportation
1963 - 1965	Residential Appraiser with Equitable Life Assurance Society of the United States
1962 - 1963	Appraiser with Cole-Layer-Trumbull Company
Expert Witness:	State of Ohio and State of West Virginia

PROFESSIONAL CERTIFICATION, LICENSES

Certified General Appraiser - State of Ohio #440251

REPRESENTATIVE APPRAISAL CLIENTS

Hallmark Mortgage Company	Metropolitan Life Insurance Company
Champaign National Bank	Ohio Dept of Highways
Fifth Third Bank	West Virginia Dept of Highways
State Savings Bank	Attorney General, State of Ohio
Huntington Mortgage Company	Valuation Administrators, LTD



Ashland County Auditor
Philip H. Leibolt

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Summary



Owner
4 of 6

Parcel Info

Parcel ID	Address	Index Order	Card
F190350001000	TWP RD 1265	Owner	1 of 1

Summary

- Land
- Residential
- Improvement
- Commercial
- Image
- Transfer
- Property Report

Summary

Property Location	TWP RD 1265	No. of Stories	Finished Square Footage
Tax District	F19 MIFFLIN TWP-HILLSDALE	Year Built	0
Account Number	S.D.	Total Rooms	0
Land Use	F190350001000	Full Bathrooms	0
Neighborhood	101 CASH GRAIN/GEN. FARM	Half Bathrooms	0
Acres	01902 MIFTWPHL	Bedrooms	0
	14.930		

Search By

- Parcel ID
- Owner
- Street Address
- Sales
- Legal Description
- Property Information

TWP RD 1265
R= 35 LOT G

Site Functions

- Property
- Search
- Contact Us
- On-Line Help
- Home
- County Home

Owner Information
Owner Information
AMOS FARLEY D
& JOYCE C

Mail Information
AMOS FARLEY D
& JOYCE C
2214 TWP RD 1265
LUCAS OH 44843

Assessment Info

Board of Revision	No
Homestead/Disability	No
2.5% Reduction	No
Divided Property	No
New Construction	No
Foreclosure	No
Other Assessments	No
Front Ft.	0.00

Mkt. Land	\$20,700
Cauv Value	\$0
Mkt. Improvement	\$0
Total	\$20,700

Recent Sale

Arms Length Sale	No
No. of Parcels	
Volume/Page	
Sale Amount	\$0

Sale Date
Conveyance No.
Deed Type

Annual Taxes \$303.09
Taxes Paid \$0.00
Delinquent Taxes \$1,377.18

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**Ashland County Auditor
Philip H. Leibolt**

EXHIBIT II

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Summary



Owner
2 of 6

Parcel Info	Parcel ID	Address	Index Order	Card
Summary	F190350000800	2214 TWP RD 1265	Owner	1 of 1

Land	Summary	Property Location	No. of Stories	1.00
Residential Improvement	Property Location	2214 TWP RD 1265	Finished Square Footage	2034
Commercial Image	Tax District	F19 MIFFLIN TWP-HILLSDALE S.D.	Year Built	1954
Transfer	Account Number	F190350000800	Total Rooms	4
Property Report	Land Use	101 CASH GRAIN/GEN. FARM	Full Bathrooms	2
	Neighborhood	01902 MIFTWPHL	Half Bathrooms	0
	Acres	87.250	Bedrooms	3

Search By

Parcel ID	Legal Description
Owner	Property Information
Street Address	2214 TWP RD 1265
Sales	R= 35 LOT E-1 & D-1

Site Functions

Property Search	Owner Information	Mail Information
Contact Us	Owner Information	AMOS FARLEY D
On-Line Help	AMOS FARLEY D	& JOYCE C
Home	2214 TWP RD 1265	2214 TWP RD 1265
County Home	LUCAS OH 44843	LUCAS OH 44843

Assessment Info	Mkt. Land	\$153,700
Board of Revision	Cauv Value	\$0
Homestead/Disability	Mkt. Improvement	\$98,600
2.5% Reduction	Total	\$252,300
Divided Property		
New Construction		
Foreclosure		
Other Assessments		
Front Ft.		

Recent Sale	Sale Date
Arms Length Sale	No
No. of Parcels	Conveyance No.
Volume/Page	Deed Type
Sale Amount	\$0

Annual Taxes	\$3,650.79
Taxes Paid	\$0.00
Delinquent Taxes	\$15,776.94

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Ashland County Auditor
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Improvement



Owner
2 of 6

Parcel Info

Parcel ID F190350000800
Address 2214 TWP RD 1265

Index Order
Owner

Card
1 of 1

- Summary
- Land
- Residential
- Improvement**
- Commercial
- Image
- Transfer
- Property Report

Improvement

Type	Improvements W/S WELL & SEPTIC	Dimensions	Square Foot 1 Each	Year Built	Value
OUTBUILDING01	GARAGE-DET	24 X 28	672 SQUARE FEET	1900	\$1,400
OUTBUILDING18	POLE BARN	36 X 48	1728 SQUARE FEET	1982	\$12,000
OUTBUILDING30	MOB.HOM.-PP	0 X 0	0 SQUARE FEET	1900	\$0
OUTBUILDING60	WELL-SEPTIC	0 X 0	0 SQUARE FEET	1998	\$2,300

Search By

- Parcel ID
- Owner**
- Street Address
- Sales

Site Functions

- Property**
- Search**
- Contact Us
- On-Line Help
- Home
- County Home

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User ID : ohashlandauditorguest

Data updated on 03/29/2006



Ashland County Auditor Philip H. Leibolt

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Image



Parcel Info

Parcel ID	Address	Index Order
F190350000800	2214 TWP RD 1265	Owner

- Summary
- Land
- Residential
- Improvement
- Commercial

Image

- Transfer
- Property Report

Sketch None Rotate To 0°

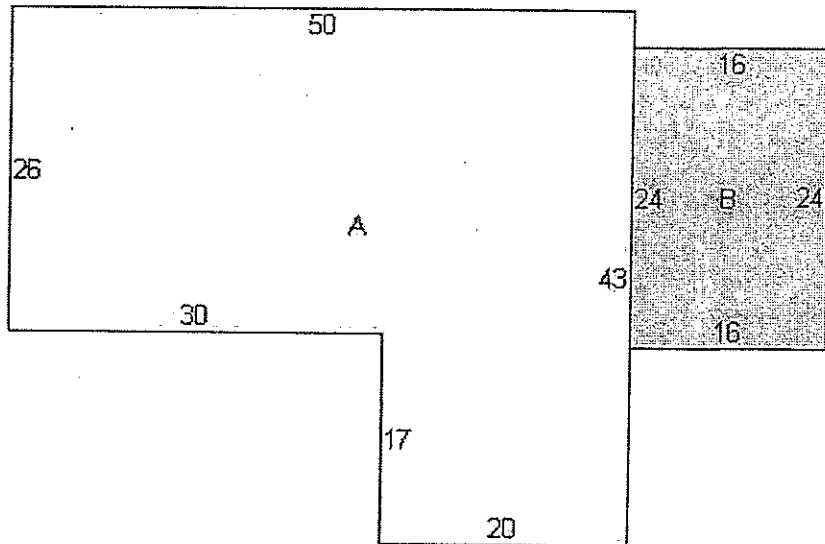
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B	384ft² CP <12>
02	
03	<18,16H,CF>
04	

Search By

- Parcel ID
- Owner
- Street Address
- Sales

Site Functions

- Property Search
- Contact Us
- On-Line Help
- Home
- County Home



03

[Back to List](#) | << [First](#) < [Previous](#) [Next](#) > [Last](#) >>

User ID : ohashlandauditorguest

Data upc



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Summary



Owner
 3 of 6

Parcel Info

Parcel ID	Address	Index Order	Card
F190350000900	TWP RD 1265 REAR	Owner	1 of 1

Summary

- Land
- Residential
- Improvement
- Commercial
- Image
- Transfer
- Property Report

Summary

Property Location	No. of Stories	Finished Square Footage	Year Built	Total Rooms	Full Bathrooms	Half Bathrooms	Bedrooms
TWP RD 1265 REAR		0		0	0	0	0
Tax District	F19 MIFFLIN TWP-HILLSDALE						
	S.D.						
Account Number	F190350000900						
Land Use	101 CASH GRAIN/GEN. FARM						
Neighborhood	01902 MIFTWPHL						
Acres	5.900						

Search By

Parcel ID	Legal Description
Owner	Property Information
Street Address	TWP RD 1265 REAR
Sales	R= 35 LOT F

Site Functions

- Property Search**
- Contact Us
- On-Line Help
- Home
- County Home

Owner Information
Owner Information
 AMOS FARLEY D
 & JOYCE C

Mail Information
 AMOS FARLEY D
 & JOYCE C
 2214 TWP RD 1265
 LUCAS OH 44843

Assessment Info

Board of Revision	No
Homestead/Disability	No
2.5% Reduction	No
Divided Property	No
New Construction	No
Foreclosure	No
Other Assessments	No
Front Ft.	0.00

Mkt. Land	\$12,300
Cauv Value	\$0
Mkt. Improvement	\$0
Total	\$12,300

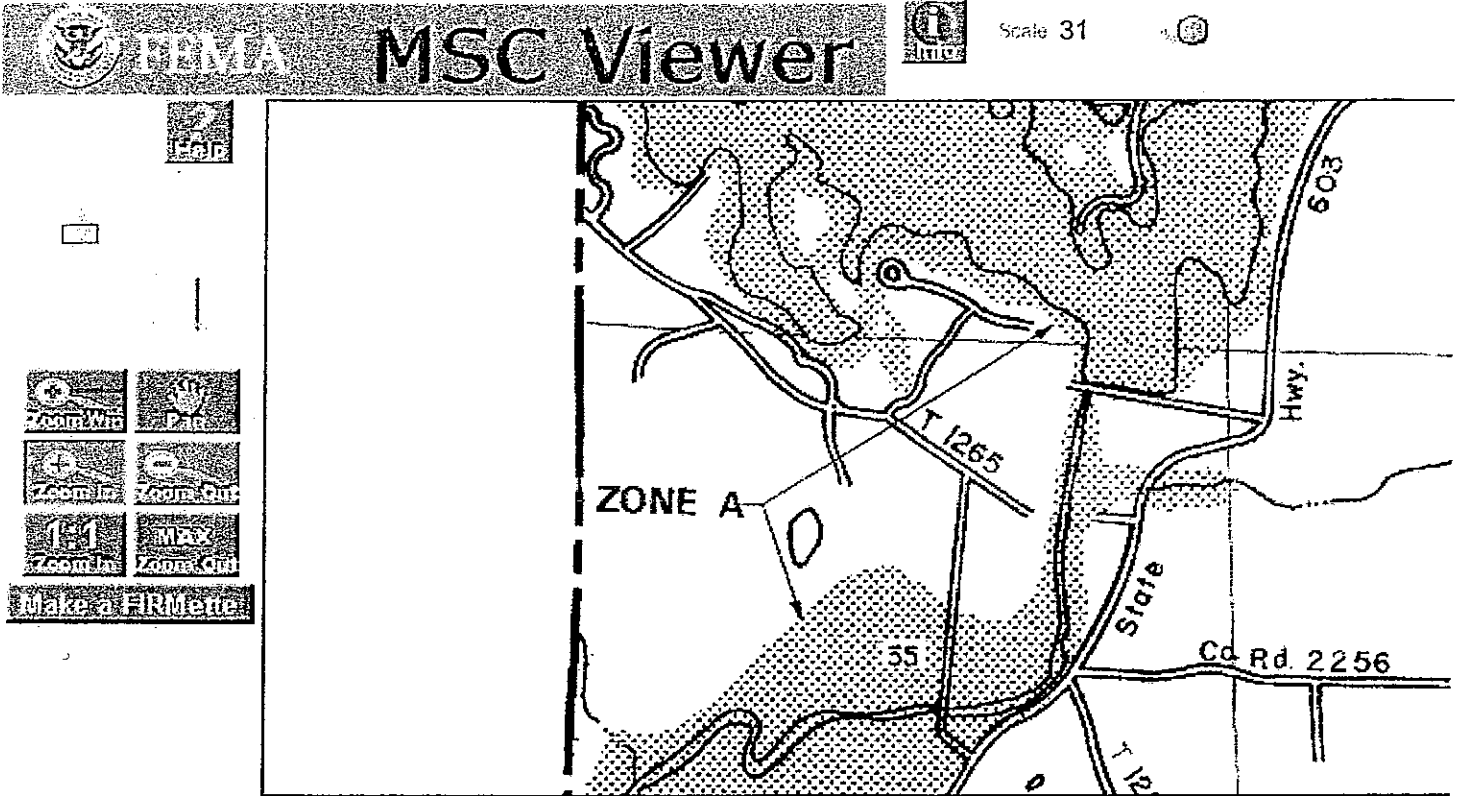
Recent Sale

Arms Length Sale	No
No. of Parcels	
Volume/Page	
Sale Amount	\$0

Sale Date
Conveyance No.
Deed Type

Annual Taxes	\$180.20
Taxes Paid	\$0.00
Delinquent Taxes	\$723.42

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Panel 3907590005B
Effective 1/1/1988

EXHIBIT I
SUBJECT PROPERTY PHOTOGRAPHS



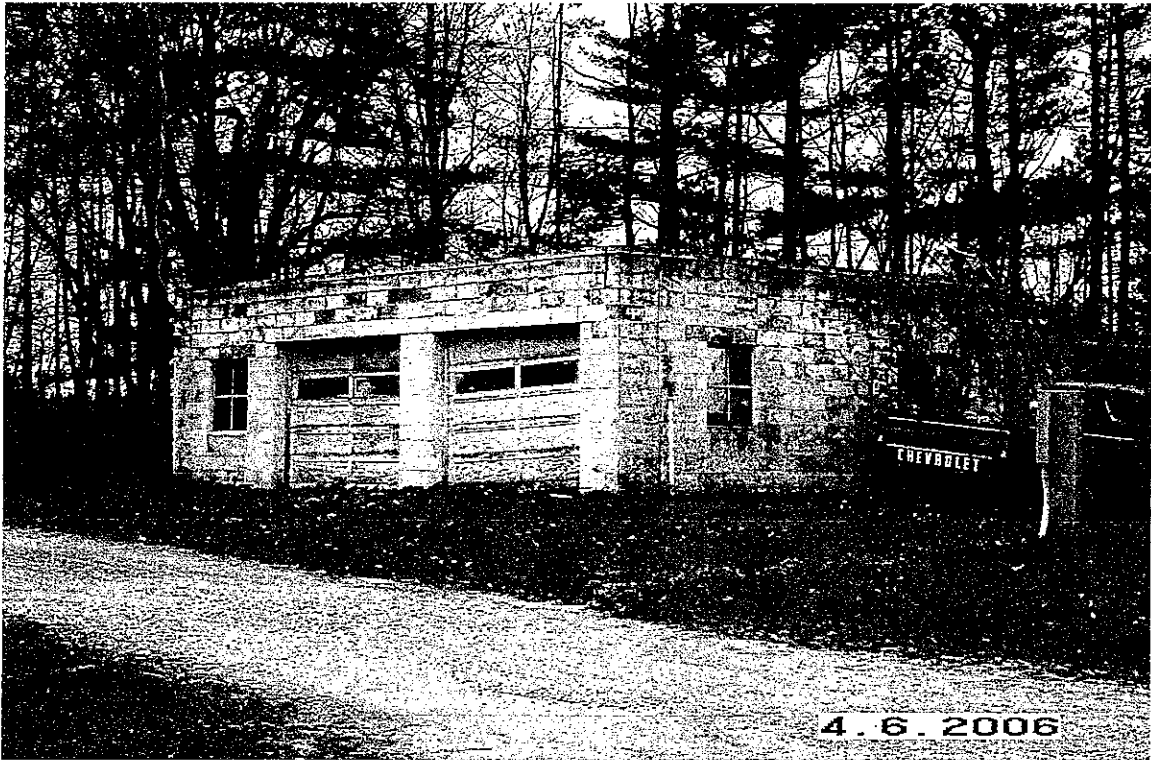
Front view of home



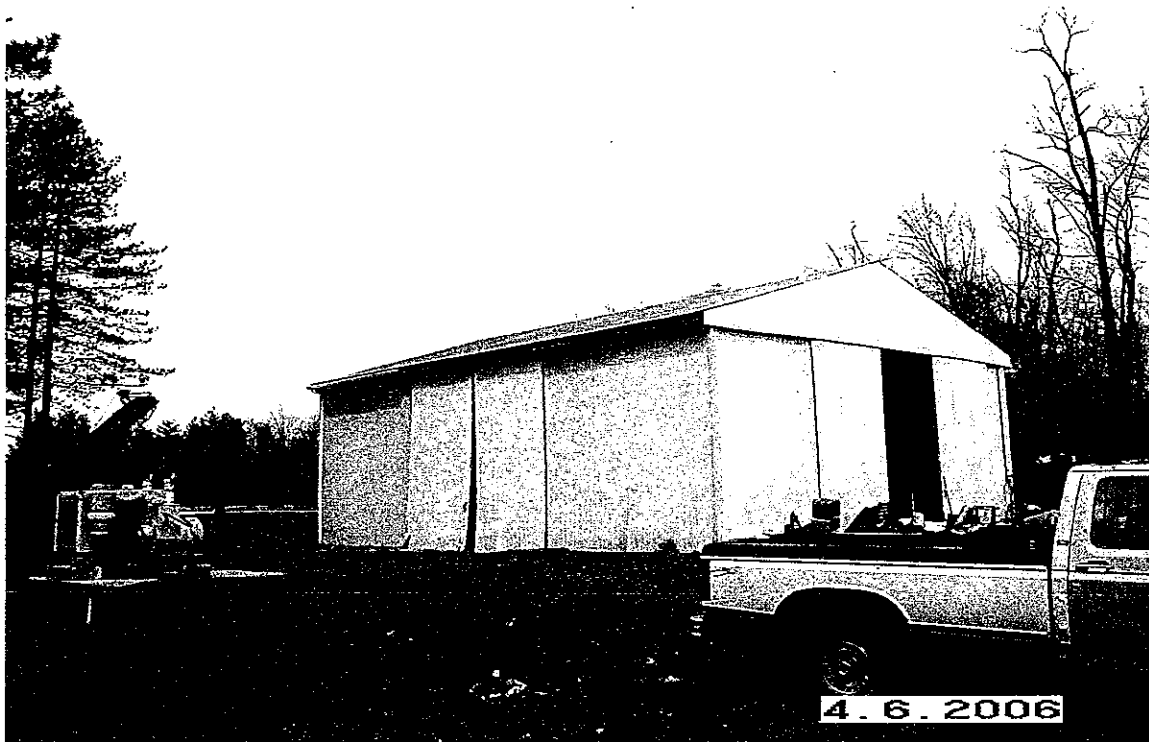
Rear view of home



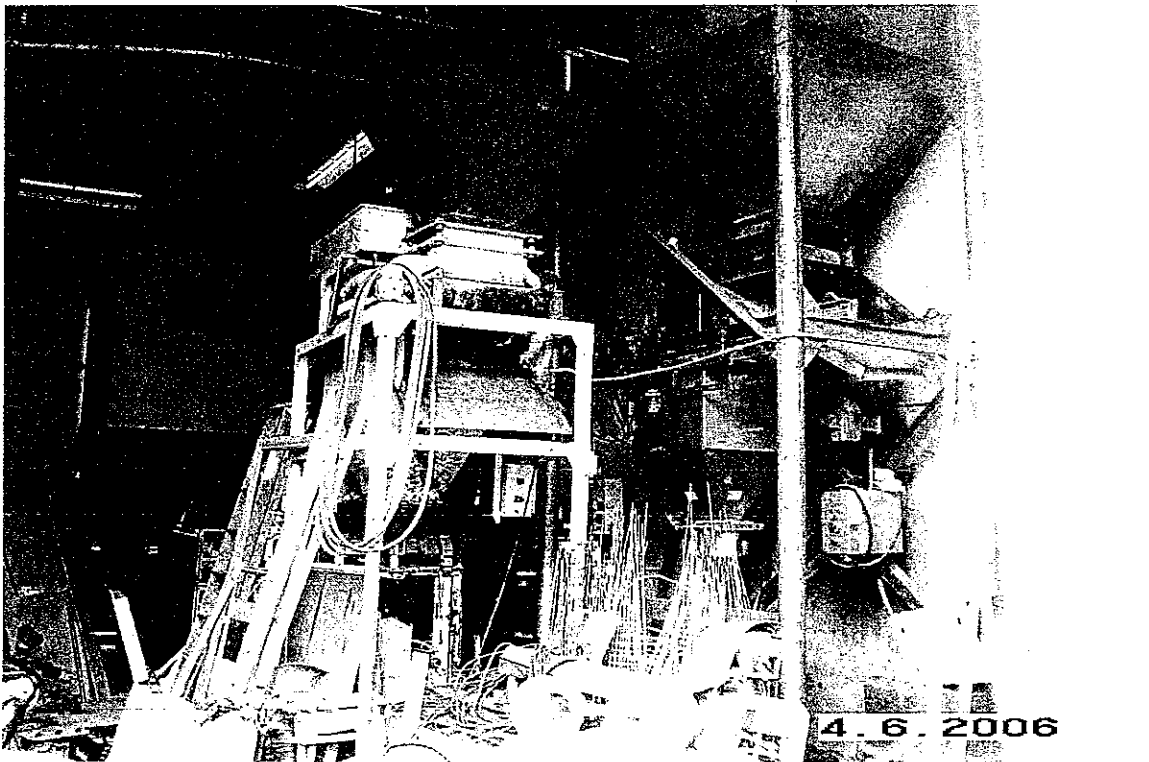
Double-wide manufactured home on foundation



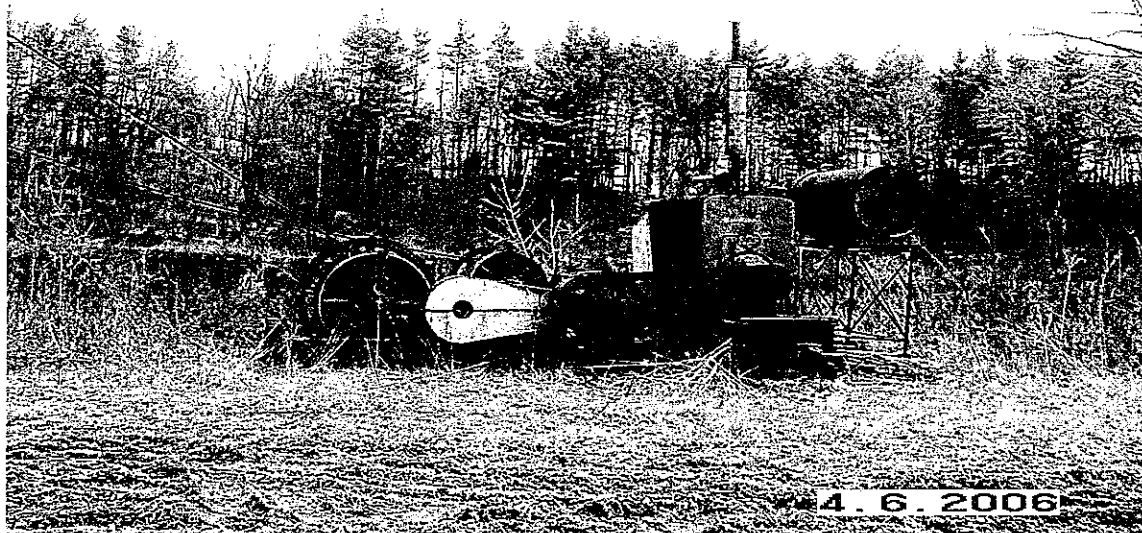
Exterior of detached garage



Exterior view of processing building



Processing and bagging equipment inside processing building



Dredging Power Unit



Unloading hopper and conveyer



Loader and conveyer



Dump truck, bulldozer and pallets



Approximate 4 to 5 acre bog



Approximate 45 acre bog



**Ashland County Auditor
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Summary



Owner
5 of 6

Parcel Info

Parcel ID	Address	Index Order	Card
F190350001300	TWP RD 1265	Owner	1 of 1

Summary

- Land
- Residential Improvement
- Commercial Image
- Transfer Property Report

**Summary
Property Location**

TWP RD 1265
F19 MIFFLIN TWP-HILLSDALE S.D.
F190350001300
101 CASH GRAIN/GEN. FARM
01902 MIFTWPHL
15.000

No. of Stories
Finished Square Footage 0
Year Built
Total Rooms 0
Full Bathrooms 0
Half Bathrooms 0
Bedrooms 0

Search By

- Parcel ID
- Owner
- Street Address
- Sales

Legal Description
Property Information
TWP RD 1265
R= 35 LOT H-2

Site Functions

- Property Search
- Contact Us
- On-Line Help
- Home
- County Home

Owner Information
Owner Information
AMOS FARLEY D
& JOYCE C

Mail Information
AMOS FARLEY D
& JOYCE C
2214 TWP RD 1265
LUCAS OH 44843

Assessment Info
Board of Revision No
Homestead/Disability No
2.5% Reduction No
Divided Property No
New Construction No
Foreclosure No
Other Assessments No
Front Ft. 0.00

Mkt. Land \$20,800
Cauv Value \$0
Mkt. Improvement \$0
Total \$20,800

Recent Sale
Arms Length Sale No
No. of Parcels
Volume/Page
Sale Amount \$0

Sale Date
Conveyance No.
Deed Type

Annual Taxes \$304.35
Taxes Paid \$0.00
Delinquent Taxes \$1,381.22

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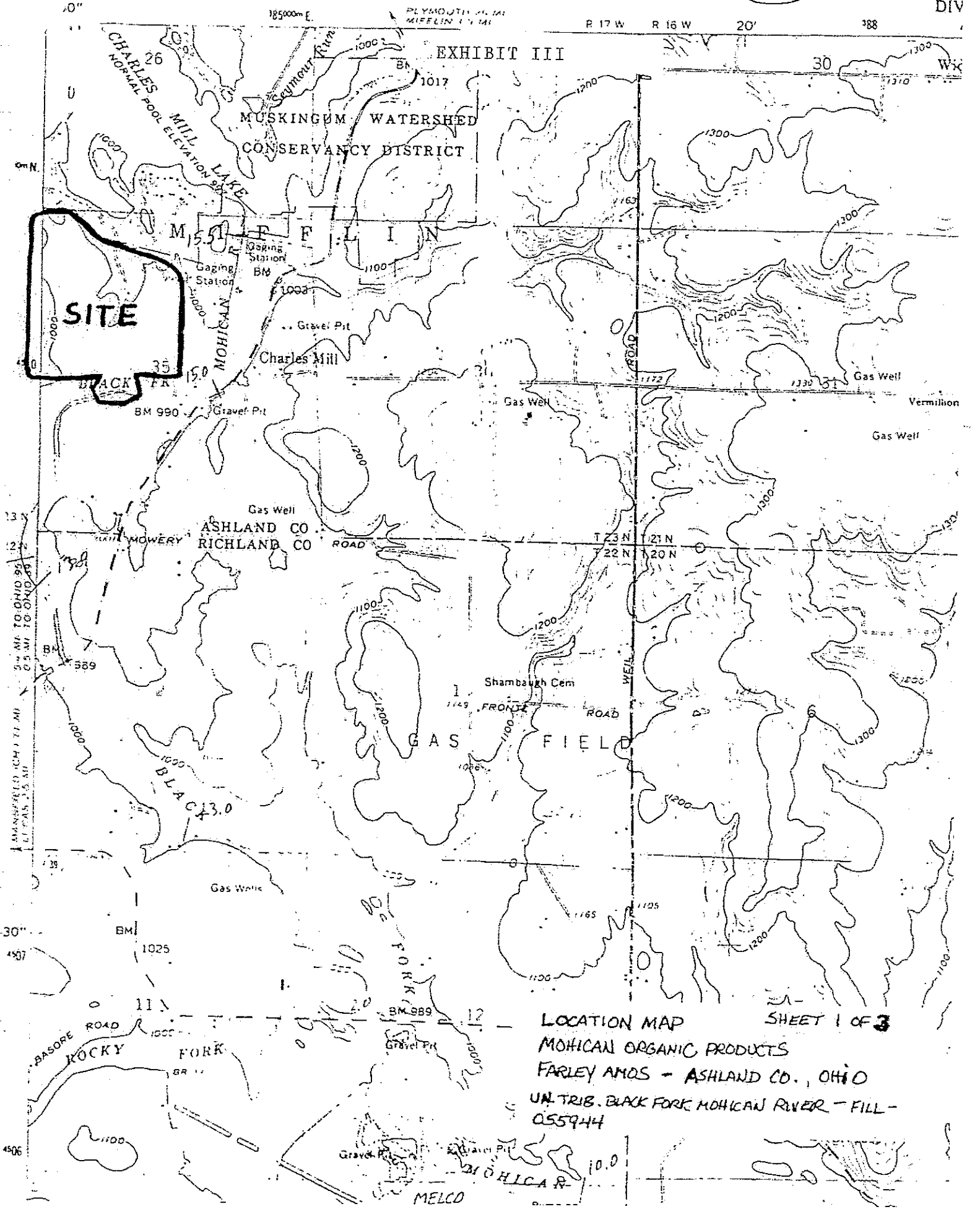


EXHIBIT III

SITE

MUSKINGUM WATERSHED
CONSERVANCY DISTRICT

ASHLAND CO.
RICHLAND CO.

GAS FIELD

Shambalgh Cem

LOCATION MAP

SHEET 1 OF 3

MOHICAN ORGANIC PRODUCTS
FARLEY AMOS - ASHLAND CO., OHIO

UN. TRIB. BLACK FORK MOHICAN RIVER - FILL -
055944

MELCO

Exhibit IV

SEC. 35 MIFFLIN (T23-R17)

