

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 21, 1985 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Aylward, Fox, Erne

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Patterson presented background information on SB-2281 which relates to taxation, exempting personal property from property taxation, and answered questions from other committee members. (Attachment 1)

Mr. David Litwin, director of taxation for Kansas Chamber of Commerce and Industry, expressed his views on HB-2281, which his association generally supports. (Attachment 2)

Frances Kastner, director of governmental affairs for Kansas Food Dealers' Association, testified in support of HB-2281. (Attachment 3)

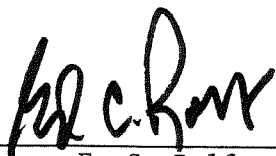
Dr. Severn suggested the following possible amendments for HB-2281:

1. Clarify whether car dealers' stamp tax should be repealed.
2. Check that PT Exemption takes effect when LAVTRF (or other distributions) begin.
3. Clarify taxable status of tax and tags law.

Mr. Harley Duncan and the committee discussed the situation in Linn County and similar locations and what would be a fair way to assess taxes. Atch. 4

The minutes of February 20, 1985 were distributed. There being no corrections, they were approved as written.

There being no further business, the chairman adjourned the meeting.



E. C. Rolfs, Chairman



JIM PATTERSON
 REPRESENTATIVE, EIGHTH DISTRICT
 2612 N. 10TH STREET
 INDEPENDENCE, KANSAS 67301



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 VICE CHAIRMAN: ENERGY AND NATURAL
 RESOURCES
 MEMBER: ASSESSMENT AND TAXATION

Mr. Chairman and Members of the Committee,

I will give you a little background on this bill. It has not been introduced upon a moments notice.

In the ten years from 1970 to 1980, our population gain was approximately 114,000. Mr. Anthony Redwood, Director of the Institute for Economics and Business Research at the University of Kansas was quoted this week as saying "Kansas had a drop in the population from 2.3 percent of the nation in 1890 to 1.04 percent in 1980"; a net loss of people in every census decade since 1890. "The predominant groups ... are young adults and persons with higher education and skill levels". One professor from Kansas University in testimony last year stated that 30% of our college graduates leave the state upon graduation.

Hopefully, this bill may be helpful for business expansion; for attracting business into this state that demands the use of our younger educated and highly skilled citizens. Hopefully, it will also be a more equitable taxing method.

The Kansas Tax Review Commission forwarded its proposal 30-20-10 property classification study to the Governor recently. Lt. Governor Docking called the Commission's report an interim one.

"It is important, but it is not the sum total of what we hope to accomplish. We have other long range goals, such as our discussion to reduce dependency on property taxes in favor of other sources".

The Hays Daily News in an editorial says: "Listen to Fred Weaver, He knows what he is talking about. Last week he (Fred Weaver) warned that Kansas has its head in a tax noose. The rope is being drawn tight".

Based upon the wealth, the economy and the make-up of the Kansas business and population several years ago. Kansas had good tax laws. By failing to maintain up-to-date values and a proliferation of exemptions, we have eroded our entire state tax system.

As you know, we have exempted house hold possessions, intangibles, farm machinery, business aircraft and a host of special exemptions under the sales tax law. Now, we are hearing that disaster is here if we do not exempt inventories and livestock. None of these exemptions have provided a replacement tax.

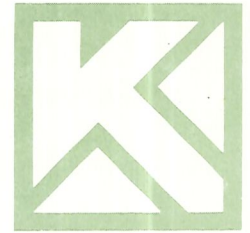
My bill, H.B. 2281 is very simple. It provides that oil and gas leases are real property instead of personal. All tangible personal property is exempt; period. The sales tax shall be increased at the rate of 2 cents on the dollar. This 2 cents on the dollar shall be re-distributed to the local government units. The bill provides that it shall be distributed as provided by the ad valorem tax reduction act. This is not satisfactory. I need your help to work out the redistribution of this two (2) cents on the dollar.

Questions?

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2281

February 21, 1985

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

by

David S. Litwin
Director of Taxation

Mr. Chairman, members of the committee. I am David Litwin, Director of Taxation for the Kansas Chamber of Commerce and Industry. We appreciate the opportunity today to express our views on HB 2281, which would exempt all personal property from taxation, raise the state sales and compensating use taxes from 3% to 5%, and return most of this revenue to the taxing subdivisions through the Local Ad Valorem Tax Reduction Fund.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

We generally support this bill. We have recently had a chance to express our views on inventory taxation, so the committee is familiar with them. The other major subject of personal property tax of interest to the general business community is machinery and equipment. With the recent reforms in the administration of the tax on miscellaneous equipment through the trending factor formula, this tax appears to be in better shape than previously. However, the basic fact of the matter is that all personal property taxation is essentially very difficult to administer consistently and fairly, because such property is often difficult to appraise, usually readily movable, frequently difficult to ascertain to begin with, and administration tends to be erratic, undermining confidence in the fairness of the tax system. If there were unlimited resources available to thoroughly administer personal property taxation, then perhaps such taxation could work well. However, such is not the case, and we feel that the resources needed to administer this tax can be better invested in taxing more stable, predictable and fruitful sources of revenue.

Our board of directors hasn't yet addressed the question of raising the state sales tax to replace personal property tax revenue. Thus I have to speak with some caution here. However, as a general matter the business community favors emphasizing broad-based, elastic taxes such as sales and income. This is particularly true in present-day Kansas, where we have one of the highest percentages of reliance on property taxation in our total tax base of any state in the country, possibly the highest.

Of course, sales taxation would, at a certain level, be counterproductive when it becomes a disincentive to economic development and/or significantly reduces retail spending. However, current data indicate that our present state sales tax rate of 3% is among the very lowest in the nation. Even with the local option of up to 1%

additional tax, we are in a highly favorable position in this respect. An increase of 2% would not put us out of line with respect to the great bulk of the states. We would have a higher rate than those of any of our four contiguous members, which range from 3% in Oklahoma and Colorado to a high of 4.125% in Missouri, but this difference does not appear to be enough to cause significant economic or development problems.

On the whole, we feel that the tradeoff between personal property taxes and sales/use taxes is a good one and would benefit the business climate, business reputation, and economy of our state.

If there are questions, I will be pleased to answer them.



Kansas Food Dealers' Association, Inc.

2809 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205

PHONE: (913) 384-3838

February 21, 1985

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FRANCES KASTNER

HOUSE ASSESSMENT & TAX COMMITTEE

EXECUTIVE DIRECTOR
JIM SHEEHAN
Shawnee Mission

IN FAVOR OF HB 2281

I appreciate the opportunity of appearing before you today in SUPPORT OF HB 2281.

As we testified last week, we are in favor of any method of providing inventory tax relief -- either as an outright exemption, or phasing it out.

This appears to be one method of financing the exemption, and we are in favor of this proposal.

As you heard me say yesterday, we are NOT opposed to a sales tax increase, as an Association. We are only concerned about the added cost of doing business if you exempt food at the point of purchase.

If no amendments are made to HB 2281 to exempt food we are in full support of this bill.

Frances Kastner, Director
Governmental Affairs KFPA

Home building not included

PUBLIC OFFERING STATEMENT

OF

LINN VALLEY LAKES, a Kansas Limited Partnership

by

LINNCO DEVELOPMENT CO., INC.,
Its General Managing Partner,
55 Corporate Woods - Suite 430
9300 West 110th
Overland Park, Kansas 66210

This Public Offering Statement is for information Purposes Only. The Subdivider is Responsible for the Accuracy and Completeness of This Statement.

Homesites Properties located at: LaCygne, Linn County, Kansas.

<u>Units</u>	<u>Per Unit Price</u>	
	Minimum	Maximum
Mobile and camping lots, approximately 50' x 80' for camping and mobile homes	\$3000	\$10,000
Building lots, approximately 70'x130' for double wide modulars and conventional homes	\$3500	\$39,000
Aggregate Price of Units Offered in Kansas		\$2,500,000

(1) There is no sales agreement with Linn Valley Lakes by a Kansas Registered Broker or sales agent. As owner of the property, Linn Valley Lakes, a Kansas Limited Partnership, sells this property exclusively by and through tour guides employees working under the supervision of the sales manager who owns a 20% interest in the development. Up to 18% of the offering price will be paid as commissions incidental to the marketing of this offering.

THIS SUBDIVIDED LAND IS OFFERED FOR SALE IN THE STATE OF KANSAS PURSUANT TO A PERMISSIVE REGISTRATION WITH THE SECURITIES COMMISSIONER OF KANSAS. THIS REGISTRATION DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER NOR DOES THE REGISTRATION SIGNIFY THAT THE COMMISSIONER HAS APPROVED OR PASSED UPON THE INVESTMENT MERIT OF SUCH SUBDIVIDED LAND. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

EFFECTIVE DATE: June 12, 1984

READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING

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

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

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

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement anytime within two (2) years from the date of signing.

NAME OF SUBDIVISION

LINN VALLEY LAKES

NAME OF DEVELOPER

LINCO DEVELOPMENT COMPANY, INC.

DATE OF THIS REPORT

July 2, 1984

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NOTE: In this Property Report, the words "You" and "Your" refer to the buyer. The words "We", "Us" and "Our" refer to the developer.

RISKS OF BUYING LAND

The future value of any land is uncertain and dependent upon many factors, DO NOT expect all land to increase in value.

Any value which your lot may have will be affected if the roads, utilities and all proposed improvements are not completed.

Resale of your lot may be difficult or impossible, since you may face the competition of our own sales program and local real estate brokers may not be interested in listing your lot.

Any subdivision will have an impact on the surrounding environment. Whether or not the impact is adverse and the degree of impact, will depend upon the location, size, planning, and extent of development. Subdivisions which adversely affect the environment may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality and noise levels may affect your use and enjoyment of your lot and your ability to sell it.

In the purchase of real estate, many technical requirements must be met to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

-WARNINGS-

THROUGHOUT THE PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE SUBDIVISION OR INDIVIDUAL LOTS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.

GENERAL INFORMATION

This report covers 4387 lots located in Linn County, Kansas. See page 18 for a listing of these lots. It is estimated that this subdivision will eventually contain 5000 lots.

The Developer of this subdivision is:

Linco Development Co., Inc.
Suite 430 - Building 55 Corporate Woods
9300 W. 110th
Overland Park, Kansas 66210
Telephone number (913) 451-2121

Answers to questions and information about this subdivision may be obtained by telephoning the developer at the number listed above.

TITLE TO THE PROPERTY AND LAND USE

A person with legal title to property generally has the right to own, use and enjoy the property. A contract to buy a lot may give you possession but doesn't give you legal title. You won't have legal title until you receive a valid deed. A restriction or an encumbrance on your lot or on the subdivision could adversely affect your title.

Here we will discuss the sales contract you will sign and the deed you will receive. We will also provide you with information about any land use restrictions and encumbrances, mortgages, or liens affecting your lot and some important facts about payments, recording, and title insurance.

METHOD OF SALE

Sales Contract and Delivery of Deed

We intend to use both the cash and installment methods of selling. Both a cash purchaser (full payment at the time of settlement) and an installment contract purchaser (a downpayment plus monthly principal and interest payments for the balance of the purchase price) will receive a deed at the time of settlement, which will be within 180 days of signing a contract. If you are an installment contract purchaser, you will also sign a mortgage as security for the unpaid portion of the purchase price.

You will not have title to the lot until you receive a deed. If you fail to make the payments required by the installment contract, you may lose your lot and all monies paid.

Type of Deed

The transfer of legal title will be accomplished by a general warranty deed.

ENCUMBRANCES, MORTGAGES, AND LIENS

In General

All but the following lots are subject to a blanket first mortgage held by the Commercial National Bank of Kansas City, Kansas.
Lots not subject to First Mortgage: 2662-2696, 2705-2720, 2736-2743, 2800-3051, 4074-4172, 4175, 4180-4194, 4203-4224, 4226-4230 and 4240-4361.

Release Provisions

The blanket first mortgage, which is recorded in the Linn County Recorder of Deeds Office contains specific release provisions. When we issue you your Warranty Deed we will also obtain from Commercial National Bank of Kansas City, Kansas, a fully executed partial release which releases your lot from the first mortgage. We will record this partial release at our expense with the Linn County Recorder of Deeds Office. The lien of the mortgage is subject and subordinate to the rights of all buyers.

RECORDING THE CONTRACT AND DEED

Method or Purpose of Recording

Under Kansas law, the recording of your deed and contract will protect you from future creditors of the developer. However, your lot is still subject to the unpaid balance of your contract.

At the time of settlement, we will perform the following services at no additional cost to you.

- a. We will deliver a general warranty deed to you.
- b. We will record your deed in the Office of the Linn County Register of Deeds.
- c. If you are an installment contract purchaser, we will record your mortgage in the Office of the Linn County Register of Deeds.
- d. Upon payment in full, you will receive a title insurance policy from Insured Titles, Inc. of Wichita, Kansas.

PAYMENTS

Escrow

You may lose your downpayment and installment payments on your lot if we fail to deliver title to you as called for in the sales contract, because they are not held in an escrow account which fully protects you.

Title Insurance

If you are an installment contract purchaser, you will not receive a policy until you have paid the unpaid portion of the purchase price. As such, you should obtain an attorney's opinion of title or a title insurance binder describing the rights of ownership which are being acquired in your lot. A Kansas attorney should interpret the opinion or binder for you.

Prepayment

You may prepay any portion of your installment contract without any penalty.

Default

If you default (such as failing to make your installment payments), no refunds of your earnest money deposit or installment payments will be made, and we will cancel your contract and foreclose the mortgage. We have the right to declare the total unpaid balance of your contract to be immediately due and payable. If you do not pay your obligation in full, we will sell your lot at public auction. If the net proceeds from the sale exceed the unpaid balance of your contract plus expenses of foreclosure, the surplus will be paid to you. If the auction price is less than the unpaid liability, we can sue you for the remaining balance. Hence, your loss may exceed the amount of the payments made on your lot.

RESTRICTIONS ON THE USE OF YOUR LOT

Restrictive Covenants

Restrictive Covenants for this development have been recorded in the Linn County Recorder of Deeds Office.

A complete copy of these restrictions is available upon request. The major provisions of these agreements will be discussed in the paragraphs below. However, this discussion will only highlight certain areas of the covenants and should not be a substitute for a careful study of these agreements by you.

Article III, Section 1c states that before constructing any building or installing sewage facilities you must present plans to us or the Property Owners Association and obtain a permit for completion of such construction.

Section d states that when the Owner submits construction plans to the Developer or Association for the building of a dwelling house he must also present plans to the Developer or Association for installation of adequate sewage facilities, the plans must be approved before building commences.

Section g says that mobile homes put on mobile home lots shall have been manufactured no more than 5 years prior to date of installation, unless otherwise approved by us or the Association, and shall be skirted within 30 days of installation. Mobile homes shall not be put on building lots.

Section k describes the flowage easement that extends to 10 feet in elevation above any lakes. This section also prohibits all permanent residential construction below that elevation.

Section l prohibits the placement of signs on any lot or within any building except in areas approved for commercial use.

Easements

The flowage easements discussed below may affect building plans for the lots. However each lot is large enough to accomodate a residence despite these easements.

A flowage easement extends to 10 feet in elevation above any water impoundments. The flowage easement provides for drainage and flood control. The lots to be affected by the easement around the three lakes are:

LAKE	AFFECTED LOTS
10 acre lake	257 - 288 inclusive
	472 - 478 inclusive
	486 - 488 inclusive
	491 - 495 inclusive
	498 - 505 inclusive
	510 - 521 inclusive
5 acre lake	185 - 227 inclusive
7 acre lake	2108 - 2113 inclusive
	2115 - 2118 inclusive
	2120 - 2122 inclusive
	2622 & 2623 inclusive
	2632 - 2635 inclusive
	2648 & 2649 inclusive
	2658 - 2662 inclusive
	2679 - 2680 inclusive
	2696 - 2699 inclusive
2727	

PLATS, ZONING, SURVEYING, PERMITS AND ENVIRONMENT

Plats

All lots currently offered at Linn Valley Lakes have been platted and approved by the Linn County Board of Commissioners. The plat maps are recorded with the Recorder of Deeds Office at Mound City.

Zoning

The lots at Linn Valley Lakes are to be used for residential and camping purposes. This conforms with the restrictive covenants and the Linn County Zoning Ordinance.

Surveying

All lots have been surveyed and each is marked for identification.

Permits

You must obtain a building permit from the Linn County Appraiser's office at the County Courthouse in Mound City, Kansas, before beginning construction on your lot. Also, the restrictive covenants require that you obtain prior approval from the Architectural Control Committee of the Homes Association before building on your lot. A sanitation permit is also required.

Environment

No environmental study has been prepared. No determination has been made as to the possible adverse effects the subdivision may have upon the environment and surrounding area.

ROADS

ACCESS TO THE SUBDIVISION

Access to the subdivision is provided by public roads. U.S. 69 is the major access road. It has a macadam surface and varies between 4 lane divided and 2 lanes. The width of the wearing surface is 24 feet. There is an unnamed county road which provides access from U.S. 69 to Linn Valley Lakes. It is 1/2 mile long, with a 24 foot wearing surface. It is gravel covered and 2 lanes undivided.

The State of Kansas is responsible for the maintenance of U.S. 69. Linn County is responsible for the maintenance of the county road. You are not responsible for any of these costs. No improvements to these roads are planned.

ACCESS WITHIN THE SUBDIVISION

Access from the subdivision entrance to the lots will be provided by roads with a 50 foot right of way with a 20 foot travel surface on all interior roads.

Interior roads have 2 lanes. Construction of the internal roads began in March 1979. Presently, 100% of the construction is complete. The surface of the internal roads is gravel and/or crushed rock.

Legal access to the lots is provided by private roads which are dedicated for the private use of property owners and their guests. The interior roads are currently owned by us and will be conveyed free and clear of liens and encumbrances, without cost, to the Linn Valley Lakes Homes Association no later than October 1, 1990.

We are responsible for maintenance of the roads. We intend to continue to maintain the roads at our expense until the Property Owners Association assumes responsibility in October, 1990. The roads provide access to all lots on a year round basis.

The table below identifies the distance (in miles) from the center of the subdivision to nearby communities.

NEARBY COMMUNITIES	POPULATION	DISTANCE OVER PAVED ROADS	DISTANCE OVER UNPAVED ROADS	TOTAL
Pleasanton, Ks.	1,216	16.0	1.5	17.5
LaCygne, Ks.	989	7.5	1.5	9.0
Mound City, Ks. (County Seat)	714	24.0	1.5	25.5
Kansas City, Mo.	507,330	48.5	1.5	50.0
Fort Scott, Ks.	8,967	39.0	1.5	41.5

UTILITIES

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

WATER

Water is to be supplied through the use of individual cisterns. The total estimated costs of the individual cistern system \$1025.00. This includes the cost of installation, storage, and necessary equipment.

Water is available from private suppliers in LaCygne, Kansas. Water will be supplied upon demand. The cost to deliver 1000 gallons of water is presently \$12.00. It is estimated that the average monthly cost for water for a family of four living in a house on a year round basis is \$65.00.

Water stored for extended periods tends to become stale and may acquire an unpleasant taste or odor.

You may also install a private well. The total estimated cost for a private well is \$2,500.00. However, there is no assurance that a productive well can be installed. We will not refund the purchase price of your lot in the event a productive well cannot be installed.

The purity and chemical content of the water cannot be determined until each individual well or source of water is completed and tested.

THERE IS NO ASSURANCE OF A SUFFICIENT SUPPLY OF WATER
FOR THE ANTICIPATED POPULATION.

A permit is not required to install the individual water system.

SEWER

This subdivision will use individual holding tanks rather than a central system. The Linn County Commission has enacted a sanitation code which gives general approval to the use of holding tanks in this subdivision. A permit must be obtained from the Linn County Engineer's Office in Mound City, Kansas. Testing of the lot prior to issuance of the permit is not required.

The estimated cost of installing a holding tank is \$700.00.

Pumping and hauling service is available. The estimated monthly cost of that service for a family of four living in a house on a year round basis is \$120.00.

Each and every lot in this subdivision has been generally approved for use of a holding tank of water-tight construction with a minimum capacity of 1500 gallons.

ELECTRICITY

Electrical service will be provided by Kansas City Power and Light Company, Paola, Kansas. (KCPL)

Primary electrical service lines have not been extended to in front of or adjacent to each lot. You will be responsible for construction costs where a line must be extended more than 1/4 mile from current lines. The total cost of extending service to the most remote lot in this subdivision is about \$6,500. This cost is the construction charge imposed by KCPL. This cost is to be paid monthly over a period of 60 months. This line extension policy applies only to permanent residential structures. Charges for all other applications for line extension are based on a case by case basis. We are unable to give an accurate estimate of the time period between request for service and installation, but based on past experience the length of time can be as long as six months. Since the construction charges will vary from lot to lot, you should consult the utility to determine the precise cost of extending service to your lot.

TELEPHONE SERVICE

Telephone service will be provided by Peoples Mutual Telephone Company, LaCygne, Kansas.

Service lines have not been extended to in front of or adjacent to each lot. You will be responsible for extension construction costs. The total cost of extending telephone lines to the most remote lot in this subdivision is about \$1500. This cost is the construction charge imposed by People's Mutual. This cost is to be paid in advance. We are unable to give an accurate estimate of the time period between request for service and installation, but based on past experience the length of time can be as long as three months. Since the construction charges will vary from lot to lot, you should consult the utility to determine the precise cost of extending service to your lot.

FUEL OR OTHER ENERGY SOURCES

Other than electricity, propane gas is available for heating and cooking in the subdivision. Propane gas is available from Linn County Cooperative Association of Mound City, Kansas. The cost is \$772.00 for a 500 gallon tank and \$1,325.00 for a 1000 gallon tank. This includes the cost of installation.

FINANCIAL INFORMATION

A copy of our financial statements for the fiscal year ending December 31, 1983 is available from us upon request.

LOCAL SERVICES

In this topic, we will discuss the availability of fire and police protection and the location of schools, medical care and shopping facilities.

FIRE PROTECTION

Fire protection is available from the Linn County Rural Volunteer Fire Department, Pleasanton, Kansas on a year round basis.

POLICE PROTECTION

Police protection is available from the Sheriff's Department in Mound City, Kansas.

SCHOOLS

Elementary schools K-6 are available in LaCygne, Kansas, as well as secondary schools grades 7-12. School bus transportation from the subdivision to these schools is not available.

HOSPITAL

Hospital facilities are available at Mercy Hospital in Fort Scott, Kansas. Ambulance service is available.

PHYSICIANS AND DENTISTS

Physicians and dentists offices are located in LaCygne, Kansas and Mound City, Kansas.

SHOPPING FACILITIES

Shopping facilities are available in LaCygne, Kansas.

MAIL SERVICE

There is no mail service to the subdivision. Mail must be picked up at the post office in LaCygne, Kansas.

PUBLIC TRANSPORTATION

There is no public transportation available in the subdivision. Public transportation is available in Pleasanton, Kansas which is 17.5 miles from the geographical center of the subdivision.

RECREATIONAL FACILITIES

<u>FACILITY</u>	<u>PERCENTAGE OF CONSTRUCTION NOW COMPLETE</u>	<u>ESTIMATED DATE OF START OF CONSTRUCTION (Month/Year)</u>	<u>ESTIMATED DATE AVAILABLE FOR USE (Month/Year)</u>	<u>FINANCIAL ASSURANCE OF COMPLETION</u>	<u>BUYER'S ANNUAL COST OR ASSESSMENT</u>
Swimming Pool	100%	N/A	Available	N/A	\$72.00
10 acre Lake	100%	N/A	Available	N/A	\$72.00
5 acre Lake	100%	N/A	Available	N/A	\$72.00
7 acre Lake	100%	N/A	Available	N/A	\$72.00

Constructing the Facilities

All of the above facilities are constructed.

WE MAY CONSTRUCT A DAM FOR A PROPOSED 120 ACRE LAKE, A 9-HOLE GOLF COURSE AND A CLUBHOUSE. WE DO NOT GUARANTEE THAT THESE FACILITIES WILL EVER BE COMPLETED AND IF THEY ARE NOT BUILT THE VALUE OF YOUR LOT MAY BE ADVERSELY AFFECTED. YOU SHOULD CAREFULLY CONSIDER YOUR DECISION TO PURCHASE A LOT IN THIS SUBDIVISION IF IT IS BASED ON THE ASSUMED COMPLETION OF THESE FACILITIES.

Maintaining the Facilities

The facilities are owned and maintained by us until not later than October 1, 1990 when the Property Owners Association will take title to the facilities and will pay the cost of maintaining them.

Transfer of the Facilities

Presently there are no liens or mortgages on any of the above facilities other than the blanket first mortgage held by Commercial National Bank of Kansas City, Kansas. By October 1, 1990 we will convey by warranty deed the above specified recreational facilities free and clear of liens and encumbrances at no cost to the Property Owners Association. All permits for the above-named facilities have been obtained.

Who May Use the Facilities

All members of the Property Owners Association and their escorted guests may use the recreational facilities. The swimming pool is also available for use by prospective lot purchasers when they tour the property. However, none of the facilities are open to the general public.

SUBDIVISION CHARACTERISTICS AND CLIMATE

In this section we will discuss the basic terrain of the subdivision, its climate and any nuisances or hazards in this area.

GENERAL TOPOGRAPHY

Generally, the subdivision is situated on level to gently rolling land surrounding a valley created by a small stream. The subdivision is covered with hard and soft wood trees. Soil is high in clay content and topsoil is relatively shallow. We have left approximately 10% of the land as natural open space. None of this land will be improved or developed. There are no steep slopes, rock outcroppings, unstable or expansive soil conditions which will necessitate the use of special construction techniques to build on or use any lot in the subdivision. However, due to the land being heavily wooded and the fact that the soil is rocky, you are advised that additional costs of as much as \$500.00 may be encountered in removing these items.

The following lots have slopes of 20% or more and may require special building techniques:

1258-1260, 1267-1275, 1350-1352, 1412-1414, 1469 & 1470, 1557-1571, 1582-1592, 1606-1623, 1640-1685, 1718-1735, 1742 & 1743, 1794-1807, 1903-1921, 2089, 2094-2097, 2178, 2267-2290, 2300-2317, 2384-2414, 2551, 2633 & 2634, 2645 & 2646, 2649, 2680-2686, 2692-2700, 2731, 2733-2735, 2744 & 2745, 2824-2827, 2831 & 2832, 2860, 2905-2908, 2917-2919, 2923 & 2924, 2930-2935, 2975 & 2976.

On these lots a concrete pad and wooden pilings may be necessary if a full basement is not poured.

SOME LOTS IN THIS SUBDIVISION HAVE A SLOPE OF 20% OR MORE. THIS MAY AFFECT THE TYPE AND COST OF CONSTRUCTION.

WATER COVERAGE

None of the lots in this subdivision are covered by water at any time during the year.

DRAINAGE AND FILL

Due to the hilly terrain of the subdivision, all lots may require fill to make them suitable for construction of a one-story residential structure. You will be responsible for the cost of corrective action which is estimated to be as much as \$800.00.

FLOOD PLAIN

The subdivision is not located within a flood plain or an area designated as being flood prone.

FLOODING AND SOIL EROSION

We do not have a comprehensive plan to control soil erosion. Soil erosion could result in property damage and create a possible safety and health hazard.

NUISANCES

The subdivision may be affected by odors and pollution from the Kansas City Power and Light Co. Plant located about 3 miles from the subdivision.

We are unaware of any other land uses which may adversely affect your lot.

HAZARDS

We are unaware of any unusual safety factors which affect the subdivision. We are also unaware of any existing or possible future hazards.

The area has been subject to severe thunderstorms and tornado conditions especially during late spring and early summer. The area is subject to brushfires, lightning and wind damage.

CLIMATE

The average annual rainfall is 30.07 inches. Average annual snowfall is 20.0 inches.

SEASON	HIGH	LOW	MEAN
Summer	107°F	12°F	69°F
Winter	98°F	-13°F	43°F

OCCUPANCY

As of May 1, 1984, there were 10 homes occupied in the subdivision.

ADDITIONAL INFORMATION

In this heading we will discuss the following areas:

1. The Property Owners' Association
2. The Annual Real Estate Taxes
3. Resale or Exchange Program
4. Equal Opportunity in Lot Sales
5. Listing of Lots

THE PROPERTY OWNERS' ASSOCIATION

The Linn Valley Lakes Property Owners' Association was incorporated in 1978, in Kansas. Officers and directors have been elected. The next annual meeting is scheduled for January 19, 1985.

We have no voting rights and exercise no control over the Association. We do collect the annual dues for the Association which are kept in an interest bearing account. These funds can only be withdrawn by the Property Owners' Association by the Board of Directors.

Membership in the Association is not voluntary. All members must pay the \$72.00 per lot annual assessment. The annual assessment can be increased. Members are subject to special assessments for capital improvements as specified in Article VI Section 4 of the Declaration of Covenants and Restrictions.

The Association will enforce the covenants and restrictions and eventually maintain the common facilities. The Association will hold architectural control over the subdivision.

Currently we provide maintenance services which the Association will assume in the future. It is anticipated that the current level of assessments will be sufficient to continue these services.

The current level of assessments provides the capability for the Association to meet present and planned financial obligations.

TAXES

You are obligated to pay taxes the same calendar year you purchase your lot. Taxes are paid to the Linn County Treasurer. The annual taxes range from \$7.98 to \$14.63 on an unimproved lot.

RESALE OR EXCHANGE PROGRAM

We have no program to assist you in the resale of your lot nor do we have a program which assures that you will be able to exchange your lot for another.

EQUAL OPPORTUNITY IN LOT SALES

We are in compliance with Title VIII of the Civil Rights Act of 1968 by not directly or indirectly discriminating on the basis of your race, religion, sex or national origin. Furthermore, we will not indicate a preference for, or a rejection of any particular group in our advertising, rendering of lot service or in any other manner.

LOT LISTING

Lots 1 through 943, LINN VALLEY LAKES, a subdivision of part of Sections 23 and 24, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on November 27, 1978, with the Register of Deeds.

Lots 944 through 2122, LINN VALLEY LAKES, a subdivision of part of Sections 23 and 24, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on January 21, 1980, with the Register of Deeds.

Lots 1744a, 1745a, 1745b and 1746a, LINN VALLEY LAKES, a subdivision of part of Sections 23 and 24, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on January 21, 1980, with the Register of Deeds.

Lots 2123 through 3051, LINN VALLEY LAKES, a subdivision of part of Sections 23, 24, 25 and 26, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on February 23, 1981, with the Register of Deeds.

Lots 3052 through 3307 and 3312 through 3416, LINN VALLEY LAKES, a subdivision of part of Sections 23, 24, 25 and 26, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on March 15, 1982, with the Register of Deeds.

Lots 3417 through 3997, LINN VALLEY LAKES, a subdivision of part of Sections 23, 24, 25 and 26, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on January 24, 1983, with the Register of Deeds.

Lots 3998 through 4387, LINN VALLEY LAKES, a subdivision of part of Sections 23, 24, 25 and 26, T. 19S., R. 24E., Linn County, Kansas, according to the recorded plat thereof, recorded on January 23, 1984, with the Register of Deeds.

COST SHEET

In addition to the purchase price of your lot, there are other expenditures which must be made. Listed below are the major costs. There may be other fees for use of the recreational facilities.

All costs are subject to change.

Sales Price of Lot

Cash Price of Lot	\$ _____	
Finance Charge	\$ _____	\$ _____

Estimated One-Time Charges

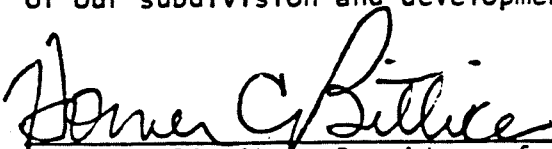
1. Installation of water cistern	\$ 1025.00	
2. Installation of private sewer holding tank	\$ 700.00	
3. Construction costs to extend electricity.	\$ _____	
3b. Construction costs to extend telephone lines.	\$ _____	
4. Other	NONE	\$ _____

Total of estimated sales price and one time charges \$ _____

Estimated annual charges, exclusive of utility use fees

1. Taxes-Average unimproved lot after sale to purchaser.	\$ _____
2. Dues and Assessments	\$ 72.00

The information contained in this Property Report is an accurate description of our subdivision and development plans.



Homer C. Bittiker, President of
Linco Development Co., Inc.
General Managing Partner of
Linn Valley Lakes, a Kansas Limited Partnership

Receipt, Agent Certification and Cancellation Page

PURCHASER RECEIPT

IMPORTANT: READ CAREFULLY

NAME OF SUBDIVISION: Linn Valley Lakes
OILSR Number 0-05465-18-34

Date of Report _____

We must give you a copy of this Property Report and give you an opportunity to read it before you sign any contract or agreement. By signing this receipt, you acknowledge that you have received a copy of the Property Report.

Received by _____ Date _____
Street Address _____
City _____ State _____ Zip _____

If any representations are made to you which are contrary to those in this Report, please notify the:

Office Interstate Land Sales Registration
HUD Building, 451 Seventh Street, S.W.
Washington, D.C. 20410

AGENT CERTIFICATION

I certify that I have made no representations to the person(s) receiving this Property Report contrary to the information contained in this Property Report.

Lot _____ Filing _____

Name of Salesperson _____

Signature _____ Date _____

PURCHASER CANCELLATION

If you are entitled to cancel your purchase contract, and wish to do so, you may cancel by personal notice, or in writing. If you cancel in person or by telephone, it is recommended that you immediately confirm the cancellation by certified mail. You may use the form below.

.....

Name of Subdivision _____
Date of Contract _____

This will confirm that I/we wish to cancel our purchase contract.

Purchaser(s) signature _____ Date _____

Receipt, Agent Certification and Cancellation Page

PURCHASER RECEIPT

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.....
Name of Subdivision _____
Date of Contract _____

This will confirm that I/we wish to cancel our purchase contract.

Purchaser(s) signature _____ Date _____

PUBLIC OFFERING STATEMENT

I. Introductory Statement. Linn Valley Lakes, a Kansas Limited Partnership, consists overall of seventeen hundred sixty acres located in Linn County, Kansas, twenty-five and one-half miles North of Mound City, the County Seat of Linn County, Kansas. Approximately 2800 lots have been sold prior to this registration. Subdivider's objectives in developing the subdivision was to present, at a modest price, mobile homesite and regular homesites, primarily of a secondary character. The promotional plan conducted by the Developer for the sale of this property has been by direct mail, inviting persons interested in such properties to visit the development, and by a conducted tour by independent contractors hired by the subdivider to a lot or lots for personal inspection, before an offer to sell is made.

II. Terms of the Offering.

- (A) The property is divided into 2 basic categories.
- (1) Camper and mobile lots which range in price from \$3000 to \$10,000;
 - (2) Building Lots which range in price from \$3500 to \$39,000.

- (B) These lots may be purchased for cash or on a Installment Contract which is for a period of either seven or ten years, with the following terms:

- (1) If a 10% downpayment is made, simple interest of 14% on the balance will be charged;
- (2) If a 20% downpayment is made, simple interest of 12% will be charged

The monthly payments correspond to the unpaid balance on the particular lot purchased. Any purchaser has the right of prepayment at any time. The subdivider will take back a mortgage to secure the Installment Contract.

- (C) The failure of the purchaser to comply with the terms of the Installment Contract will result in a forfeiture of any monies paid to date of the forfeiture. In the event of the purchaser's default in payment, the purchaser shall have the following minimum grace periods before seller shall have the right to exercise its rights:

- (1) If less than fifty percent (50%) of the principal amount of the purchase price has been paid, purchaser shall have a grace period of at least sixty (60) days before default or cancellation.
- (2) If more than fifty (50) percent of the principal amount of the purchase price has been paid, the purchaser shall have a grace period of at least one hundred fifty (150) days before default or cancellation.

None of the above grace periods shall prevent the accumulation of interest for the period of time the contract may be in default, nor preclude cancellation thereof if the contract is NOT brought current after such default. At least fourteen (14) days before the expiration of said grace period, sellers shall notify purchaser in writing by certified or registered mail of the amount then due under the contract and the exact expiration date of the grace period. The purchaser shall not be deemed in default in the payment of any installation due under the contract unless and until such notice shall have been given.

- (D) Subdivider, after 180 days from the date of the Contract will deliver a Warranty Deed to the purchaser. A title insurance policy will be provided upon payment in full of the Contract.
- (E) Safeguards and Assurances.
 - (1) The subdivider, through an agreement with the mortgage holder, has a partial release provision whereby upon payment of the full purchase price, the mortgage holder will execute a partial release and direct it to the Subdivider who files said partial release with the Register of Deeds of Linn County, Kansas, and issues a Warranty Deed to the purchaser.
 - (2) Not applicable.
 - (3) There is no provision for escrow or return of earnest money deposits received from purchasers, and there are no guarantees of completion or performance of the subdivider's obligations under the contract. However, after 180 days from the date of the Contract the subdivider will deliver a Warranty Deed to purchaser if all payments then due under the Installment Contract have been made. In the event you elect to purchase, you have the option to void this contract if you do not receive a Kansas Public Offering Statement, in advance of, or at the time of your signing of this contract, and also you have the option to revoke the contract within forty-eight (48) hours after signing this contract if you did not receive the Public Offering Statement at least forty-eight (48) hours before signing the contract.

The purchaser also has important civil rights for means of remedy.

- (F) The Subdivider will be responsible for recording fees of the Deed and Mortgage and the cost of title insurance. There are no closing costs.
- (G) The developer will allow a transfer of payments (principal only) made by purchaser from one lot toward the purchase of a new, higher priced lot.
- (H) There is no resale market provided by Subdivider.

III. Special Risk Factors

- (A) The future value of land is very uncertain, do NOT count on appreciation.
- (B) You may be required to pay the full amount of your obligation to a bank or other third party to whom the Developer may assign your contract or note, even though the Developer may have failed to fulfill promises he has made.
- (C) Resale of your lot may be subject to the Developer's restrictions, such as limitations on the posting of signs, limitations to the rights of other parties to enter the Subdivision unaccompanied, membership prerequisites or approval requirements, or Developer's first right of refusal. You should check your contract for such restrictions and also note whether your lien or any other liens on your property would affect your right to sell your lot.

- (D) You should consider the competition which you may experience from the Developer in attempting to resell your lot and the possibility that real estate brokers may not be interested in listing your lot.
- (E) Changing land development and land use regulations by government agencies may affect your ability to obtain licenses or permits or otherwise affect your ability to use the land.

IV. Offered Property.

- (A) Total number of camper-mobile lots is approximately 900 (approx. 50' x 80'). Total number of building lots is approximately 700 (approx. 70' x 130').
- (B) The lots in the Subdivision have been platted and recorded in the Recorder of Deeds Office, Linn County, Kansas, and all lots have been staked. The property is offered for the use of recreational facilities provided, and the installation of mobile homes, modular homes, camping in the camper area or regular homes, principally of a secondary nature.
- (C) Linn Valley Lakes consists of 1760 acres of open and wooded rolling land. The following table indicates distances from nearby cities.

<u>Name of Community</u>	<u>Popula- tion</u>	<u>Distance</u>		<u>Total</u>
		<u>Over Paved Roads</u>	<u>Unpaved Roads</u>	
a. Pleasanton, Ks.	1,216	16 miles	1 1/2 Mi.	17 1/2 miles
b. Mound City, Ks.	714	24 miles	1 1/2 Mi.	25 1/2 miles
c. Fort Scott, Ks.	8,967	39 miles	1 1/2 Mi.	40 1/2 miles
d. Kansas City, Mo.	507,330	48 1/2 miles	1 1/2 Mi.	50 miles

The prevailing climate is as follows: average annual precipitation is 30.07 inches; average snowfall is 20.0 inches.

<u>Temperature</u>	<u>Summer</u> (April thru Aug.)	<u>Winter</u> (Sept. thru March)
High	107 Degrees F.	98 Degrees F.
Low	12 Degrees F.	-13 Degrees F.
Average Mean	69 Degrees F.	43 Degrees F.

- (D) The physical terrain of the subdivision ranges from the highest lot in the subdivision of 970' to the lowest lot which is 800'. The subdivision is situated on level and rolling land surrounding a valley created by a small stream. The subdivision is covered with hard and soft wood trees. The soil content is high in clay, and top soil is relatively shallow. In many areas the soil is very rocky, and the cost to remove the trees and rocks for purposes of building could cost as much as \$500.00.
- (E) The completed improvements are a 15' x 20' concrete swimming pool with a varying depth of 2 to 4 feet. The pool does have a filter and is usable during the summer season. Also completed are 35 miles of internal roads within the subdivision. These are all weather gravel roads usable by conventional automobiles. 3 lakes of 10, 7 and 5 acres surface area are also completed for use.
- (F) There are no other proposed improvements at this time.

V. Improvements, Utilities and Other Services.

(A) Roads or streets.

- (1) There are 35 miles of completed gravel roads within the subdivision. At present, the Developer is responsible for the maintenance of these roads. However, at some future point and time when the Property Owners Association becomes viable, the Developer will turn over the responsibility for maintenance of these roads to the Property Owners Association. The roads consist of a gravel all weather surface and are usable by conventional automobile.
- (2) All roads have been completed, maintenance of these roads is the responsibility of the developer until the time that the Property Owners Association takes over the entirety of the development at which time the Property Owners Association will then be responsible for maintenance of the roads.
- (3) Since all proposed roads are completed, no performance bonds or other assurances of completion are necessary.

(B) Utilities.

(1) Electricity and gas.

- (a) Electrical service is available from the Kansas City Power and Light Company, Paola, Kansas.

There is a minimum monthly bill of \$5.66 charged by the utility. An additional \$4.62 per month is charged for the first 130 KWH of electricity consumed per month. Taxes and a fuel adjustment factor will be added to your monthly bill and the fuel adjustment factor is subject to change monthly. You must check with K.C.P.&L. for changes.

K.C.P. & L's line extension policy for overhead single phase residential and rural residential extensions is as follows:

The company will build the first 1/8 mile and the last 1/8 mile of single phase line per permanent residential or rural residential customer under its established rates and minimum charges.

In the event the line extension exceed 1/4 mile per permanent residential or rural residential customer, the minimum monthly bill, as provided in the company's residential and rural residential service schedules, shall be increased \$14.45 for each 1/10 mile or proportionately for fractional parts thereof of line extension in excess of 1/4 mile. The increased minimum monthly bill at such premises shall be, and remain in effect for 60 months.

Line extension to the most remote lot in the offered property would mean an additional payment of \$115.60 per month for the 60 month period. This does not include the minimum monthly charge of \$5.66 per month. No lot in this subdivision is more than 1 mile from the present lines. This charge applies only to permanent residential structures. Charges for all other applications for line extension are based on a case by case basis. Since construction charges will vary from lot to lot depending on its use the purchaser should consult the utility to determine the exact cost of line extension.

There is a one time \$60.00 plus tax charge for installation of temporary service when no line extension is required and only a meter needs to be installed.

- (b) Natural gas is not available. Propane gas is available to the subdivision from the Linn County Cooperative Association of Mound City, Kansas. The present rate for propane is .62 cents per gallon. The purchase price for a 500 and 1,000 gallon is \$772 and \$1325 respectively. These prices and the rate per gallon are subject to change without notice.

(2) Sewage or disposal systems.

- (a) There is no central system now or proposed within the subdivision.
- (b) Presently septic tanks are not allowed in this subdivision, as the Declaration of Covenants and Restrictions, which are binding upon all purchasers and owners of property within the subdivision, provide in part, "when any improvements are erected on any lot purchased*** the owner shall, at the same time, construct and install adequate sewage disposal facilities approved by seller (the subdivider) or the Property Owners Association unless other sewage facilities have already been provided."

The Developer (this Subdivider) recommends that individual sewage systems consisting of a 1500 gallon capacity holding tank, constructed of reinforced, precast or poured-in-place concrete or steel plate be employed for the collection of sewage. In addition, the holding tank shall be water tight, and sealed for vent leakage, between the cover or lid and the side walls. Subdivider estimates that the cost to install such a holding tank will be approximately \$700. There presently are private contract haulers available in the Mound City area for the disposal of such sewage, and the purchaser will be required to contract with them on an individual basis for the hauling of such sewage, and the cost for a family of four residing on a permanent basis could cost as much as \$120 per month for the hauling of such sewage.

(3) Water.

- (a) Water is available to the subdivision from private suppliers in LaCygne, Kansas. Water will be supplied upon demand. At present, water from this source is available at a cost of \$12.00 per 1000 gallons. This is a reasonable rate. This rate is subject to change without notice. Since this source is a public one it is anticipated that it will be adequate to serve the anticipated population of the development when substantially all of the lots have been sold.
- (b) The developer has made no provisions for any type of central water system within the subdivision, and none is proposed. No water lines will be extended to the individual lots.
- (c) Adequate supplies of water within the subdivision are not generally available by the drilling of individual wells. However, if purchaser chooses to drill an individual well, the Developer estimates the cost to a purchaser will be \$13.50 per foot for drilling, plus the cost of a pump which can range in price from \$100 - \$300. The total cost of drilling could be as high as \$2,500.
- (d) Water to be supplied by local individuals has been tested by the Kansas State Department of Health Environmental Health Services and found to be potable.

(4) Telephone.

Telephone service is supplied at regular rural rates by People's Mutual Telephone Company, LaCygne, Kansas. The Company's rates for service are \$8.40 for one party residential service. If an applicant for service provides adequate credit ratings, there is no deposit required. If adequate credit ratings can not be provided, a deposit equivalent to two (2) months the local rate and estimated toll usage will be required. A service connection charge of \$7.50 is required. The Developer is unable to give an accurate estimate of the time period between request for service and installation, but based on past experience, the length of time between request for service and installation can be as long as three months. An extension charge in accordance with the company's general rules and regulations provide that any extension outside the base rate area requires an advance payment. If such extension is in excess of three (3) miles outside the base rate area, advance payment would be \$50.00 for each 1/10 mile or fraction thereof beyond 3 miles. The most remote lot in the Subdivision is 6 miles from the company's current line. Therefore, an advance payment of \$1500 would be required to provide service to that most remote lot. Advanced rental payments will be applied against the customer's monthly telephone service billing.

- (c) Television reception is available to the lots without reception costs.

(D) Municipal and Community Facilities.

(1) Municipal Facilities.

- (a) Fire protection is available within the subdivision from the Linn County Rural Volunteer Fire Department, Pleasanton, Kansas. The distance from the geographical center of the subdivision to the nearest fire station is approximately seventeen and one half miles.
- (b) Police protection is available within the subdivision from the Sheriff's Department in Mound City, Kansas.
- (c) Garbage and trash service is not available within the subdivision. Linn County does not provide trash collection points for the subdivision.
- (d) Schools.
 - (1a) Elementary schools, K-6 are available at the elementary school in LaCygne, Kansas.
 - (1b) Secondary Schools, grades 7-12 are available at the Prairie View School in LaCygne, Kansas.

These schools are approximately 9 miles from the geographical center of the subdivision.
- (e) Public transportation is not available from the subdivision to nearby communities. Public transportation is available in Pleasanton, Kansas which is 17 1/2 miles from the geographical center of the subdivision.

(2) Community Facilities.

- (a) Medical and dental facilities.
 - (2a) Hospital facilities are available at St. Joseph Hospital in Kansas City, Missouri, which is 45 miles from the geographical center of the subdivision. Hospital facilities are also available at Mercy Hospital located in Fort Scott, Kansas, which is 39 miles from the geographical center of the subdivision.
 - (2b) Physicians and dentists offices are located in Mound City, Kansas, which is 25 1/2 miles from the geographical center of the subdivision, and LaCygne, Kansas, which is 9 miles from the geographical center of the subdivision.
- (b) Shopping area. Shopping facilities are available in LaCygne, Kansas, approximately 9 miles from the geographical center of the subdivision.
- (c) Common recreation facilities. Common recreational facilities such as taverns, movie theatres, libraries, etc., are available in Mound City, Ft. Scott and Pleasanton, Kansas.
- (d) The Marais de Cygnes wild life area is approximately 10 miles South of the subdivision and is accessible by hard surface roads to the point of interest.

VI. Conditions of Title, Encumbrances, Deeds of Restriction, Zoning.

(A) Title

- (1) The subdivision lands were acquired by purchase during 1977, 1978, 1979, 1980, 1981 and 1983.
- (2) Title to most land comprising the subdivision is presently encumbered by an outstanding mortgage to the Commercial National Bank of Kansas City, Kansas. Lots not under the mortgage are: 2662-2696, 2705-2720, 2736-2743, 2800-3051, 4074-4172, 4175, 4180-4194, 4203-4224, 4226-4230, and 4240-4361.

(B) Encumbrances, Deeds of Restrictions, Zoning.

- (1) There is currently a real estate mortgage encumbering most of the lands within the subdivision, said mortgage being held by the Commercial National Bank of Kansas City, Kansas, which has provisions for partial releases upon delivery of deed 180 days after sale. Upon 180 days, the subdivider contracts to deliver warranty deed. A policy of title insurance will be provided upon payment in full.
- (2) Restrictions that could affect the purchaser's use of the unit or lot are as follows:
 - (a) The dwelling house shall face the street upon which the lot fronts, and no part thereof shall be nearer than 25 feet from the front lot line, or 10 feet on the side or back lot line.
 - (b) All other structures shall be in the rear of dwelling house and shall be sightly, of new construction and of a character to enhance the value of the property.
 - (c) Prior to the construction of any buildings or installation of sewage facilities the Owner shall present construction plans to the Developer or Association and obtain a permit from the Developer or Association for such construction or installation.
 - (d) When the Owner submits construction plans to the Developer or Association for the building of a dwelling house he must also present plans to the Developer or Association for installation of adequate sewage facilities.
 - (e) No outside toilets shall be allowed. No debris, junk or unsightly accumulation of materials shall be allowed to remain on premises.

- (f) In addition to the foregoing restrictions and stipulations, no dwelling shall be constructed on any lot nor shall any dwelling be moved to or maintained thereon, with less than 600 square feet of interior floor space. No basement shall be occupied until the dwelling is completed. All materials for the construction of any building shall be new.

All buildings will be finished and painted or stained on the outside. The dwelling house shall be completed on the exterior within six months after commencement of construction of any type. If a lot is in the mobile home section, the interior square footage minimum must be 500 feet.

- (g) Mobile Homes put on mobile home lots shall have been manufactured no more than 5 years prior to date of installation, unless otherwise approved by Developer or Association, and shall be skirted within 30 days of installation. Mobile homes shall not be put on building lots.
- (h) Manufactured homes (doublewides) shall be permitted on building lots provided they are placed permanently on such lot and shall include foundation and skirting.
- (i) Recreational vehicles shall not be parked or used as a dwelling on any lot except those lots designated for campers or mobile home use. A special recreational vehicle storage area shall be set aside and maintained by the Developer or Association and shall not be used for dwelling purposes. Any such vehicles put on any lots other than those designated for campers or mobile homes use may be towed by Developer or Association at Owner's expense.
- (j) Campground reservations for campers or trailers shall be restricted to 72 hours continuous use on a first come first use basis. Registration shall be required at the Developer's or Association's office. Vehicles left beyond the 72 hours period may be towed by Developer or Association to the recreational vehicle storage area without liability to Developer or Association at the Owner's expense.
- (k) A flowage easement shall extend to 10' in elevation above any water impoundments constructed. All permanent residential construction below that elevation is prohibited.
- (l) No signs may be placed or maintained on any lot, nor on or within any building, except in an area approved for commercial use.

- (m) Discarding of refuse in the lakes, on the street, parks, or any area, or the altering, defacing, or damaging of any signs, equipment, or facilities located on the Properties is prohibited. Molesting of swans, geese, ducks or any wildlife is prohibited.
 - (n) Lakes, swimming areas and all recreational facilities are for sole use of Members, their family unit and guests. Guests must be in the company of a Member.
 - (o) The Association and the Developer shall have an easement and right-of-way over a strip along the sides, front and rear boundary lines of the lot or lots in said addition, not exceeding ten (10) feet on each of said side and front boundary lines, and not exceeding ten (10) feet on the rear boundary lines, for the purpose of installation and maintenance of public utilities, including but not limited to gas, water, electricity, telephone, drainage and sewage, and any appurtenance to the supply lines therefor, including the right to remove and/or trim trees, shrubs, or plants.
 - (p) The Association and the Developer shall have an easement and right-of-way over a strip of land all around the lakes from a point 10 feet from the waters' edge up the bank. Such easement shall extend the right of use to all Members as well as their family unit and guests but shall not entitle them to the use of any docks, boats or other personal property of the Owner.
 - (q) Discharging of firearms, anywhere upon the Properties is prohibited.
 - (r) The foregoing stipulations, restrictions and conditions are imposed for the benefit of each and every Lot, and shall constitute covenants running with the land; the Owners, the Association and its Members, their successor and assigns, may prosecute proceedings at law or in equity to prevent or remedy the violation of such restrictions and covenants and secure redress for damages suffered on account of such violation.
- (3) Presently the Linn County Zoning Ordinance restricts the purchasers use of his property to residential and camping purposes.

VII. Taxes and special assessments.

(A) Taxes.

- (1) The current mill levy rate on property located at Linn Valley Lakes is .053196 per \$1000 at assessed valuation which is based on 30% of the actual value of the property. The Linn County Appraiser estimates that the range of annual property taxes for lots at Linn Valley Lakes would range from \$7.98 to \$14.63.

- (2) Taxes are to be paid by the purchasers of lots, whether by Contract or Warranty Deed.

(B) Special Assessments.

- (1) The Linn Valley Lakes Property Owners Association of Linn Valley Lakes assesses each and every property owner \$72.00 per lot, payable to the Property Owners Association.
- (2) There are no membership fees, assessments or dues other than the fee for the Property Owners Association of Linn Valley Lakes that a lot owner is required to pay as a condition to become an owner of a unit or lot in the subdivision.

VIII. The Company.

(A) Background.

- (1) Linn Valley Lakes, a Kansas Limited Partnership, was organized June 10, 1977.
- (2) The location of its principal office is LaCygne, Linn County, Kansas.
- (3) The subdivider has had no previous experience in subdivision development.

(B) Officers.

- (1) Linco Development Co., Inc. is the General Managing Partner of Linn Valley Lakes, a Kansas Limited Partnership. Linco Development Co., Inc., is a Kansas for profit corporation. Its principal office is Mound City, Kansas, and the principal officers and directors of the Linco Development Co., Inc., General Managing Partner, are as follows:

Homer C. Bittiker, Attorney at Law, President
Charles Workman, Orthopedic Surgeon, Vice President
Michael R. McAdam, Attorney at Law, Secretary-Treasurer.

(C) Stockholdings and capital structure.

- (1) Linco Development Co., Inc., is a Kansas for Profit Corporation, with 500 shares of common stock.

IX. Pending legal and administrative proceedings.

- (A) There are no legal proceedings or administrative proceedings pending against the Subdivision which might affect the ability of the Subdivider to perform in accordance with the offering.

X. Exhibits.

- (A) Overall map;
- (B) A representative unit map;
- (C) Schedule of prices and payments.

XI. Financial Statement.

(See Attached marked Linn Valley Lakes Financial Statements for the Year Ended December 31, 1983.)

SCHEDULE OF PRICES AND PAYMENTS

84 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$1,500.00	\$25.30	\$21.18
\$1,600.00	\$26.99	\$22.60
\$1,700.00	\$28.67	\$24.01
\$1,800.00	\$30.36	\$25.42
\$1,900.00	\$32.05	\$26.83
\$2,000.00	\$33.73	\$28.24
\$2,100.00	\$35.42	\$29.66
\$2,200.00	\$37.11	\$31.07
\$2,300.00	\$38.79	\$32.48
\$2,400.00	\$40.48	\$33.89
\$2,500.00	\$42.17	\$35.31
\$2,600.00	\$43.85	\$36.72
\$2,700.00	\$45.54	\$38.13
\$2,800.00	\$47.22	\$39.54
\$2,900.00	\$48.91	\$40.95
\$3,000.00	\$50.60	\$42.37
\$3,100.00	\$52.28	\$43.78
\$3,200.00	\$53.97	\$45.19
\$3,300.00	\$55.66	\$46.60
\$3,400.00	\$57.34	\$48.02
\$3,500.00	\$59.03	\$49.43
\$3,600.00	\$60.72	\$50.84
\$3,700.00	\$62.40	\$52.25
\$3,800.00	\$64.09	\$53.66
\$3,900.00	\$65.78	\$55.08
\$4,000.00	\$67.46	\$56.49
\$4,100.00	\$69.15	\$57.90
\$4,200.00	\$70.84	\$59.31
\$4,300.00	\$72.52	\$60.73
\$4,400.00	\$74.21	\$62.14
\$4,500.00	\$75.90	\$63.55
\$4,600.00	\$77.58	\$64.96
\$4,700.00	\$79.27	\$66.37

SCHEDULE OF PRICES AND PAYMENTS

84 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$4,800.00	\$80.96	\$67.79
\$4,900.00	\$82.64	\$69.20
\$5,000.00	\$84.33	\$70.61
\$5,100.00	\$86.02	\$72.02
\$5,200.00	\$87.70	\$73.44
\$5,300.00	\$89.39	\$74.85
\$5,400.00	\$91.08	\$76.26
\$5,500.00	\$92.76	\$77.67
\$5,600.00	\$94.45	\$79.08
\$5,700.00	\$96.14	\$80.50
\$5,800.00	\$97.82	\$81.91
\$5,900.00	\$99.51	\$83.32
\$6,000.00	\$101.20	\$84.73
\$6,100.00	\$102.88	\$86.15
\$6,200.00	\$104.57	\$87.56
\$6,300.00	\$106.26	\$88.97
\$6,400.00	\$107.94	\$90.38
\$6,500.00	\$109.63	\$91.79
\$6,600.00	\$111.32	\$93.21
\$6,700.00	\$113.00	\$94.62
\$6,800.00	\$114.69	\$96.03
\$6,900.00	\$116.38	\$97.44
\$7,000.00	\$118.06	\$98.86
\$7,100.00	\$119.75	\$100.27
\$7,200.00	\$121.44	\$101.68
\$7,300.00	\$123.12	\$103.09
\$7,400.00	\$124.81	\$104.50
\$7,500.00	\$126.50	\$105.92
\$7,600.00	\$128.18	\$107.33
\$7,700.00	\$129.87	\$108.74
\$7,800.00	\$131.55	\$110.15
\$7,900.00	\$133.24	\$111.57
\$8,000.00	\$134.93	\$112.98

SCHEDULE OF PRICES AND PAYMENTS

84 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$8,500.00	\$143.36	\$120.04
\$9,000.00	\$151.79	\$127.10
\$9,500.00	\$160.23	\$134.16
\$10,000.00	\$168.66	\$141.22
\$10,500.00	\$177.09	\$148.28
\$11,000.00	\$185.53	\$155.34
\$11,500.00	\$193.96	\$162.41
\$12,000.00	\$202.39	\$169.47
\$12,500.00	\$210.83	\$176.53
\$13,000.00	\$219.26	\$183.59
\$13,500.00	\$227.69	\$190.65
\$14,000.00	\$236.12	\$197.71
\$14,500.00	\$244.56	\$204.77
\$15,000.00	\$252.99	\$211.83
\$16,000.00	\$269.86	\$225.96
\$17,000.00	\$286.72	\$240.08
\$18,000.00	\$303.59	\$254.20
\$19,000.00	\$320.45	\$268.32
\$20,000.00	\$337.32	\$282.44
\$21,000.00	\$354.19	\$296.57
\$22,000.00	\$371.05	\$310.69
\$23,000.00	\$387.92	\$324.81
\$24,000.00	\$404.78	\$338.93
\$25,000.00	\$421.65	\$353.05
\$26,000.00	\$438.52	\$367.18
\$27,000.00	\$455.38	\$381.30
\$28,000.00	\$472.25	\$395.42
\$29,000.00	\$489.11	\$409.54
\$30,000.00	\$505.98	\$423.67
\$31,000.00	\$522.85	\$437.79
\$32,000.00	\$539.71	\$451.91
\$33,000.00	\$556.58	\$466.03

SCHEDULE OF PRICES AND PAYMENTS

84 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$34,000.00	\$573.44	\$480.15
\$35,000.00	\$590.31	\$494.28
\$36,000.00	\$607.18	\$508.40
\$37,000.00	\$624.04	\$522.52
\$38,000.00	\$640.91	\$536.64
\$39,000.00	\$657.77	\$550.77

SCHEDULE OF PRICES AND PAYMENTS

120 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$4,500.00	\$62.88	\$51.65
\$4,600.00	\$64.28	\$52.80
\$4,700.00	\$65.68	\$53.95
\$4,800.00	\$67.08	\$55.09
\$4,900.00	\$68.47	\$56.24
\$5,000.00	\$69.87	\$57.39
\$5,100.00	\$71.27	\$58.54
\$5,200.00	\$72.66	\$59.68
\$5,300.00	\$74.06	\$60.83
\$5,400.00	\$75.46	\$61.98
\$5,500.00	\$76.86	\$63.13
\$5,600.00	\$78.25	\$64.28
\$5,700.00	\$79.65	\$65.42
\$5,800.00	\$81.05	\$66.57
\$5,900.00	\$82.45	\$67.72
\$6,000.00	\$83.84	\$68.87
\$6,100.00	\$85.24	\$70.01
\$6,200.00	\$86.64	\$71.16
\$6,300.00	\$88.04	\$72.31
\$6,400.00	\$89.43	\$73.46
\$6,500.00	\$90.83	\$74.60
\$6,600.00	\$92.23	\$75.75
\$6,700.00	\$93.63	\$76.90
\$6,800.00	\$95.02	\$78.05
\$6,900.00	\$96.42	\$79.20
\$7,000.00	\$97.82	\$80.34
\$7,100.00	\$99.22	\$81.49
\$7,200.00	\$100.61	\$82.64
\$7,300.00	\$102.01	\$83.79
\$7,400.00	\$103.41	\$84.93
\$7,500.00	\$104.80	\$86.08

SCHEDULE OF PRICES AND PAYMENTS

120 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$7,600.00	\$106.20	\$87.23
\$7,700.00	\$107.60	\$88.38
\$7,800.00	\$109.00	\$89.53
\$7,900.00	\$110.39	\$90.67
\$8,000.00	\$111.79	\$91.82
\$8,500.00	\$118.78	\$97.56
\$9,000.00	\$125.77	\$103.30
\$9,500.00	\$132.75	\$109.04
\$10,000.00	\$139.74	\$114.78
\$10,500.00	\$146.73	\$120.52
\$11,000.00	\$153.71	\$126.25
\$11,500.00	\$160.70	\$131.99
\$12,000.00	\$167.69	\$137.73
\$12,500.00	\$174.67	\$143.47
\$13,000.00	\$181.66	\$149.21
\$13,500.00	\$188.65	\$154.95
\$14,000.00	\$195.64	\$160.69
\$14,500.00	\$202.62	\$167.72
\$15,000.00	\$209.61	\$172.17
\$16,000.00	\$223.58	\$183.64
\$17,000.00	\$237.56	\$195.12
\$18,000.00	\$251.53	\$206.60
\$19,000.00	\$265.51	\$218.08
\$20,000.00	\$279.48	\$229.55
\$21,000.00	\$293.45	\$241.03
\$22,000.00	\$307.43	\$252.51
\$23,000.00	\$321.40	\$263.99
\$24,000.00	\$335.38	\$275.46
\$25,000.00	\$349.35	\$286.94
\$26,000.00	\$363.32	\$298.42
\$27,000.00	\$377.30	\$309.90

SCHEDULE OF PRICES AND PAYMENTS

120 MONTH TERM

<u>Purchase Price</u>	<u>10% Down-14% Interest Monthly Payment</u>	<u>20% Down-12% Interest Monthly Payment</u>
\$28,000.00	\$391.27	\$321.38
\$29,000.00	\$405.25	\$332.85
\$30,000.00	\$419.22	\$344.33
\$31,000.00	\$433.19	\$355.81
\$32,000.00	\$447.17	\$367.29
\$33,000.00	\$461.14	\$378.76
\$34,000.00	\$475.12	\$390.24
\$35,000.00	\$489.09	\$401.72
\$36,000.00	\$503.06	\$413.20
\$37,000.00	\$517.04	\$424.67
\$38,000.00	\$531.01	\$436.15
\$39,000.00	\$544.99	\$447.63

RECEIPT OF OFFERING STATEMENT

The undersigned hereby acknowledges receipt of copy of the above and foregoing offering statement.

_____, _____
Name Address

Date: _____

NOTICE TO PROSPECTIVE PURCHASER

In the event you elect to purchase, you have the option to void any Contract or Agreement if you do not receive a Kansas Public Offering Statement, in advance of, or at the time of your signing the Contract or Agreement, and also you have the option to revoke the Contract within forty-eight (48) hours after signing the Contract or Agreement if you did not receive the Public Offering Statement at least forty-eight (48) hours before signing the Contract or Agreement.

I hereby acknowledge that I have read and understand the above provisions:

_____, _____
Name Address

Date: _____

I hereby Certify that this Receipt shall be kept by the Subdivider at his principal place of business in the State of Kansas or the State wherein the subdivision is offered for three (3) years from the above date or the Term of the Contract, whichever is longer.

Subdivider's Agent

WEBER, DORTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

CHARLES W. WEBER, C.P.A.
M. LYNN DORTON, C.P.A., M.B.A.
HAROLD E. SCHLOSSER
CONSULTANT

7420 QUIVIRA ROAD • (913) 631-1120
SHAWNEE, KANSAS 66216


March 15, 1984

To the Partners of
Linn Valley Lakes
Suite 430, 55 Corporate Woods
9300 West 110th Street
Overland Park, Kansas 66210

We have examined the balance sheet of LINN VALLEY LAKES (A Kansas Limited Partnership) as of December 31, 1983 and the related statement of income and expense and statement of sources and uses of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures that we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of LINN VALLEY LAKES at December 31, 1983 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with the previous year.

WEBER, DORTON & COMPANY

By 
Lynn Dorton, Partner

LD:jms

LINN VALLEY LAKES
BALANCE SHEET
DECEMBER 31, 1983

ASSETS

CURRENT ASSETS:

Cash in Banks		\$ 118,994
Total Current Assets		<u>\$ 118,994</u>

NON-CURRENT ASSETS:

Contracts Receivable (Note 3)	\$11,515,720	
Less: Deferred Profit & Unearned Interest	<u>7,324,035</u>	4,191,685
Land (Note 4)		458,800
Equipment & Furniture	\$ 324,243	
Less: Accum. Depreciation	<u>142,830</u>	181,413

OTHER ASSETS:

Refunds	\$ 50	
Deferred Interest	<u>9,845</u>	<u>9,895</u>
Total Assets		<u>\$4,960,787</u>

LIABILITIES & CAPITAL

CURRENT LIABILITIES:

Commissions Payable		\$ 111,069
Salesmen's Reserves		81,134
Accounts Payable		12,450
Withheld Payroll Taxes		3,170
Contract Deposits (Note 2)		<u>6,105</u>
Total Current Liabilities		\$ 213,928

OTHER LIABILITIES:

Notes Payable - Banks (Note 5)	\$ 3,270,961	
Contracts Payable - Land (Note 6)	141,817	
Lease Contract Payable (Note 7)	<u>105,000</u>	3,517,778
Obligation for Fut. Devel. (Note 4)	\$ 2,011,801	
Less: Devel. Costs to Date (Note 4)	<u>2,370,686</u>	(358,885)
Total Liabilities		<u>\$3,372,821</u>

CAPITAL:

Partners' Capital	\$ 1,195,980	
Current Year's Income	<u>391,986</u>	<u>1,587,966</u>
Total Liabilities & Capital		<u>\$4,960,787</u>

LINN VALLEY LAKES
STATEMENT OF INCOME & EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 1983

SALES:

Total Lot Sales (Note 2)	\$3,416,687
Less Deferred Income On Installment Sales (Schedule 1)	<u>913,236</u>
	\$2,503,451

COST AND EXPENSES:

Cost of Land and Development	\$ 683,337	
Salemen's Commissions	646,107	
Advertising and Promotion	485,331	
Administrative and General (Schedule 2)	<u>777,531</u>	
Loss on Cancellations	229,774	<u>2,822,080</u>
Income (Loss) on Lot Sales		\$ (318,629)

OTHER INCOME:

Interest	\$1,057,165	
Forfeits and Miscellaneous	<u>10,341</u>	<u>1,067,506</u>
		\$ 748,877

OTHER EXPENSE:

Interest	<u>356,891</u>
Net Income	<u>\$ 391,986</u>

LINN VALLEY LAKES
STATEMENT OF SOURCES AND USES OF CASH
FOR THE YEAR ENDED DECEMBER 31, 1983

OPERATIONS:

Cash Received From:		
Collections on Contracts		\$1,503,046
Receivable (Including Interest)		622,290
Cash Sales of Lots		464,634
Down Payments on Lot Sales		12,933
Other Sources		<u>\$2,602,903</u>

Cash Expended For:		
Development Costs	\$ 669,527	
Selling Expense (Including		
Commissions & Advertising)	1,167,871	
General & Administrative Expense	656,667	
Refunds & Returned Checks	<u>69,299</u>	<u>2,563,364</u>

Cash Generated from (used in) Operations	\$ 39,539
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OTHER SOURCES:

Proceeds from Bank Loans	<u>1,386,948</u>
	<u>1,426,487</u>

OTHER USES:

Payment on Option Contracts	\$ 9,323	
Repayment of Debt	756,224	
Interest	395,598	
Acquisition of Fixed Assets	51,325	
Acquisition of Land	<u>273,400</u>	<u>1,485,870</u>

Increase (Decrease) in Cash - Year to Date	\$ (59,383)
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Cash Balance 12/31/82	<u>178,377</u>
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Cash Balance 12/31/83	<u><u>\$ 118,994</u></u>
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LINN VALLEY LAKES
SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 1983

SCHEDULE 1 - DEFERRED INCOME ON INSTALLMENT SALES

Deferred Income Computation:	
Sales - 5 Years (before cancellation charge offs)	\$16,286,902
Cost of Sales	(3,257,381)
Salesmen's Commissions	(3,053,632)
Advertising	<u>(2,226,706)</u>
Gross Profit (5 Years)	(48%)\$ <u>7,749,183</u>
Uncollected Receivables:	
Contracts Receivable (before cancellation charge offs)	\$14,107,535
Unearned Interest	(3,454,787)
Uncollected Principal	<u>\$10,652,748</u>
Profit Percentage	48%
Current Deferred Income (before cancellation charge offs)	\$ 5,113,319
Deferred Income - 1979 through 1982	(4,200,083)
1983 Deferred Income	<u>\$ 913,236</u>

SCHEDULE 2 - ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and Wages	\$ 197,731
Auto Expense and Travel	12,865
Bank Charges	927
Cash Discounts	53,107
Contract Labor	1,302
Depreciation	58,718
Dues and Subscriptions	6,008
Equipment Rental	86,091
Operating Supplies	43,818
Insurance	26,714
Legal and Accounting	50,679
Miscellaneous	5,928
Office Supplies and Printing	34,405
Payroll Taxes	70,383
Rent	21,879
Repairs & Maintenance	41,578
Real Estate Taxes	11,365
Telephone	31,939
Utilities and Fuel	22,094
	<u>\$ 777,531</u>

NOTES TO FINANCIAL STATEMENTS

(1) Operations and Summary of Significant Accounting Policies:

Operations:

The partnership was formed for the purpose of acquiring, developing and selling certain land located in Linn County, Kansas. The Partnership plans to sell, at retail, its remaining land before the end of 1986.

Accounting for land sales:

The installment method of accounting for land sales is used in accordance with the provisions of the industry accounting guide "Accounting for Retail Land Sales." The Guide outlines procedures for recording income under the installment method of accounting for retail land sales, and provides certain other guidelines, which have been applied to the financial statements for the year ended December 31, 1983.

Gross profit from sales is deferred until collections of the sales price are made. Interest at the stated contract rate is recorded as income when collected. Upon cancellation of a contract, the excess of the unpaid balance over related cost of sales and unrealized profit is recorded as a loss. The deferred gross profit and unearned interest on installment sales are reflected in the accompanying balance sheet as a reduction of contracts receivable.

Inventory of land and development costs:

The inventory of land and development costs is stated at the lower of cost or net realizable value.

Property and equipment depreciation:

Property and equipment are stated at cost. Depreciation is provided by both the declining balance method and the straight-line method over the estimated useful lives of the assets.

Income taxes:

No provision has been made for income taxes since such taxes, if any, are the liability of the individual partners.

(2) Income Recognition:

The sale price of a lot is recorded upon satisfactory review of the purchaser's credit and collection of 10% or more of the sale price.

Collections received prior to acceptance are recorded as contract deposits. Sales contracts totaling \$138,400 at December 31, 1983, were not recorded as sales since 10% of the sales price had not been collected.

(3) Contracts Receivable:

Substantially all receivables from lot sales bear interest at 12-14%. Payments due on receivables during each of the next five years are estimated at \$1,435,000 per year.

Receivables with principal balances of approximately \$2,751,124 were delinquent over 30 days at December 31, 1983.

(4) Land and Future Development Costs:

Land - original cost and acquisition expenses	\$1,129,400
Less: cost of lots sold	670,600
(5.0%) of Total Sales	<u>\$ 458,800</u>
Obligation for Future Development	
(15.0% of Total Sales)	<u>\$2,011,801</u>

Costs are allocated on the basis of total estimated lot sales of \$22,500,000.

As of December 31, 1983, the estimated total development and amenity costs are \$3,375,000, of which \$2,370,686 has been expended to date. It is anticipated that the remaining costs are to be expended within the next three years.

(5) Notes Payable - Banks:

Installment notes from the collateralization of receivables, 12½% - 14%, payable in various installments through 1986.	\$3,004,862
Real estate loan, 17%, payable in various installments, balance due 2/5/85.	177,359
Equipment notes, 14 - 18½%, payable in various installments through 1986.	88,740
	<u>\$3,270,961</u>

The installment notes are collateralized by pledged contracts receivable on a 2 for 1 basis. The real estate loan is secured by a real estate mortgage on 1184.7 acres of land. The equipment notes are secured by equipment with a book value of \$72,479.

(6) Contracts Payable - Land:

Conditional sales contract for the purchase of 40 acres, 14% payable monthly for five years.	\$ 51,817
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CERTIFICATION

I hereby certify that there has been no material adverse change in the financial condition of LINN VALLEY LAKES since the issuance of the certified audit of December 31, 1983.

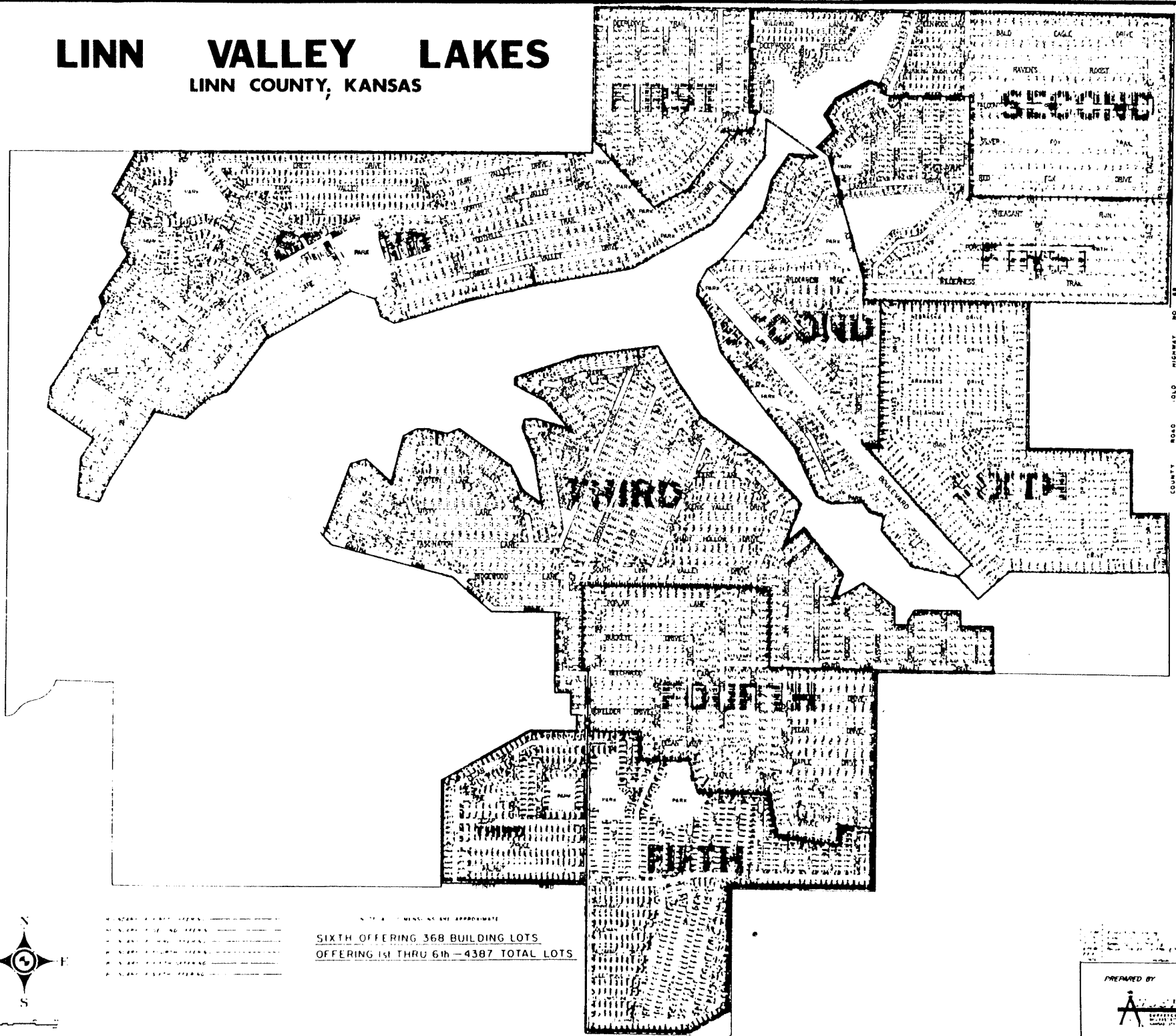
A handwritten signature in cursive script, reading "Homer C. Bittiker", written in black ink. The signature is positioned above a horizontal line.

HOMER C. BITTIKER, President
LINNCO DEVELOPMENT COMPANY, INC.

Dated: May 29, 1984

LINN VALLEY LAKES

LINN COUNTY, KANSAS



SIXTH OFFERING 368 BUILDING LOTS
 OFFERING 1ST THRU 6th - 4387 TOTAL LOTS

PREPARED BY

 ENGINEERS & ARCHITECTS
 LITTLE ROCK, ARK.

