APPRAISAL REPORT
REAL ESTATE APPRAISAL

Of
Crisp Center

3000 Irvin Cobb Dr, Paducah
McCracken County
KY, 42003

As of
August 8, 2018

Prepared For
Christine O'Brien
University of Kentucky
1500 Bull Lea Rd, Suite 106
Lexington, KY, 40511

Client File:
D818MC115

Prepared by
TRIFECTA REAL ESTATE SERVICES
Dustin Hawkins, CCIM, KY-4835
August 9, 2018

Christine O'Brien
University of Kentucky
1500 Bull Lea Rd, Suite 106
Lexington, KY 40511

Re: Appraisal Report, Real Estate Appraisal
Crisp Center
3000 Irvin Cobb Dr, Paducah,
McCracken County, KY, 42003

Dear Mrs. O'Brien:

At your request, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

Harry Crisp Center

Please reference page 8 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. The appraisers have not performed any prior services regarding the subject within the previous three years of the appraisal date. That date was 08/10/2015.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 6). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, I note the following:

Hypothetical Conditions:

- There are no hypothetical conditions for this appraisal.
Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

**Current As Is Market Value:**
The “As Is” market value of the Fee Simple estate of the property, as of August 8, 2018, is

**Five Hundred Eighty Five Thousand Dollars ($585,000)**

The market exposure time preceding August 8, 2018 would have been 2 months and the estimated marketing period as of August 8, 2018 is 2 months.

Respectfully submitted,
Trifecta Real Estate Services

Dustin Hawkins, CCIM
KY-4835
Summary of Important Facts and Conclusions

**GENERAL**

**Subject:** Crisp Center
3000 Irvin Cobb Dr, Paducah,
McCracken County, KY, 42003

Harry Crisp Center

**Owner:** University of Kentucky

**Legal Description:** DB 1203, PG 600

**Date of Report:** August 9, 2018

**Intended Use:** The intended use is for decision making.

**Intended User(s):** The client.

**Sale History:** The subject has not sold in the last three years, according to public records.

**Current Listing/Contract(s):** The subject is currently under option for $2,200,000. The option date is July 1, 1998. Lease with an option to purchase. Murray State has recently let the option laps.

**Land:**

<table>
<thead>
<tr>
<th>Parcel ID</th>
<th>Gross Land Area (Acres)</th>
<th>Gross Land Area (Sq Ft)</th>
<th>Usable Land Area (Acres)</th>
<th>Usable Land Area (Sq Ft)</th>
<th>Topography</th>
<th>Shape</th>
</tr>
</thead>
<tbody>
<tr>
<td>120-23-00-04</td>
<td>7.28</td>
<td>317,117</td>
<td>7.28</td>
<td>317,117</td>
<td>Level</td>
<td>Site shape</td>
</tr>
</tbody>
</table>

**Notes:**

**Improvements:**

<table>
<thead>
<tr>
<th>Building Name/ID</th>
<th>Year Built</th>
<th>Condition</th>
<th>Number of Stories</th>
<th>Gross Building Area</th>
<th>Rentable Area</th>
<th>Number of Building Units Name/ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisp Center</td>
<td>1960</td>
<td>Fair</td>
<td>1.0</td>
<td>97,522</td>
<td>97,522</td>
<td>0 Crisp Center</td>
</tr>
</tbody>
</table>

**Notes:**

Trifecta Real Estate Services
<table>
<thead>
<tr>
<th><strong>VALUE INDICATIONS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Approach:</strong> n/a</td>
</tr>
<tr>
<td><strong>Sales Comparison</strong> $585,000</td>
</tr>
<tr>
<td><strong>Approach:</strong></td>
</tr>
<tr>
<td><strong>Income Approach:</strong></td>
</tr>
<tr>
<td>Direct Capitalization $585,000</td>
</tr>
<tr>
<td><strong>Reconciled Value(s):</strong> As Is</td>
</tr>
<tr>
<td>Value Conclusion(s) $585,000</td>
</tr>
<tr>
<td>Effective Date(s) August 8, 2018</td>
</tr>
<tr>
<td>Property Rights Fee Simple</td>
</tr>
</tbody>
</table>

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CONTINGENT AND LIMITING CONDITIONS

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

1. The Appraiser(s) assumes no responsibility for matters of a legal nature affecting the property appraised or the title, nor do we render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.

3. The Appraiser(s) is not required to give testimony or appear in court because of having made this appraisal, unless arrangements have been previously made therefore.

4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

5. The Appraiser(s) assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. We assume no responsibility for such conditions, or for engineering that might be required to discover such factors.

6. Information, estimates, and opinions furnished to the Appraiser, and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to us can be assumed by the Appraiser(s).

7. Disclosure of the contents of the appraisal report is governed by the Code of Ethics and Standards of Professional Practice of the Appraisal Institute and the National Assn. of Realtors.

8. Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser(s), professional designations, reference to any professional organizations, or the firm 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, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser(s); nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser(s).

9. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of such in a workman like manner.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Dustin Hawkins has made a personal inspection of the property that is the subject of this report.

12. It is assumed that the property that is the subject of this report will be under prudent and competent management and ownership; neither inefficient nor super efficient.

13. As of the date of this report, Dustin H. Hawkins has completed the Standards and Ethics Education Requirements for **Candidates for Designation** of the Appraisal Institute.

14. The Appraisal Institute conducts a program of continuing education for its designated members. Members who meet the minimum standards of this program are awarded periodic educational certification. R. Thomas Waldrop, Jr. MAI is certified under this program through December 31, 2017.

15. The appraiser(s) signing this report has no knowledge concerning the presence or absence of urea formaldehyde foam insulation, asbestos insulation, or other environmental hazards. If such hazards are present, the value of property may be adversely affected and re-inspection (at additional cost) may be necessary to estimate the effects of such environmental hazards.

16. We have made no environmental survey of the subject property and make no guarantee as to the environmental quality of the subject property. As a specific limiting condition of this report, this appraisal is based upon the assumption that the subject is free from any such contamination. If any such hazards are present, the value of the subject property may be adversely affected and the estimate of market value stated herein may also be invalid.

17. This appraiser(s) has not been furnished with a copy of any preliminary title report and therefore makes no representation as to the marketability of the title to the subject property.

18. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser(s) has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with the requirements of the Act. If so, it could have a negative effect upon the value. Since we have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

19. Acceptance of and or use of the appraisal report constitute acceptance of all of the above conditions.
Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser’s responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

This appraisal is prepared for Christine O'Brien, Real Estate Services University of Kentucky. The problem to be solved is to estimate the 'as is' market value of the subject property. The intended use is for decision making. This appraisal is intended for the use of client.

| **SCOPE OF WORK** |  
|-------------------|----------------------------------|
| **Report Type:**  | This is a Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses. |
| **Property Identification:** | The subject has been identified by the legal description (DB 1203, PG 600) and the assessors' parcel number (120-23-00-043 and 42.01). |
| **Inspection:** | An interior and exterior inspection was performed on the property. The warehousing portion of the property was not accessible. The utilities were turned off. |
| **Market Area and Analysis of Market Conditions:** | A complete analysis of market conditions has been made. The appraiser maintains and has access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis. |
| **Highest and Best Use Analysis:** | A complete as vacant and as improved highest and best use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded. |
| **Type of Value:** | Market Value |

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Valuation Analyses

Cost Approach: A cost approach was not applied as the age of the improvements makes the depreciation difficult to accurately measure.

Sales Comparison Approach: A sales approach was applied as there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

Income Approach: An income approach was applied as the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

Hypothetical Conditions: • There are no hypothetical conditions for this appraisal.

Extraordinary Assumptions: • There are no Extraordinary Assumptions for this appraisal.

Identification of the Property

The property herein appraised located in the “South Side” area of Paducah, Kentucky and consists of a single lot improved with a 1-story building at 3000 Irvin Cobb Dr. The existing building contains approximately 97,522 sf GBA. The tract is identified and described throughout the body of this report according to the legal description.

A complete addendum, including maps, sketches, and pictures of the tract is located in the appropriate section of this report for the further identification of the property that is being appraised.

Reasonable Marketing Period

Based on the experience of the existing subject, and based on the experience of the comparable sales included in the direct sales comparison approach section of this report, it appears that a reasonable marketing period for the existing subject would be one year. Additional supporting data was derived from a list of office sales in the Western KY market. Per the WKY Regional MLS, the average DOM is 299 days.

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>HIGH</th>
<th>LOW</th>
<th>AVG</th>
<th>MED</th>
</tr>
</thead>
<tbody>
<tr>
<td>LISTING COUNT:</td>
<td>59</td>
<td>DAYS ON MARKET:</td>
<td>1304</td>
<td>0</td>
</tr>
</tbody>
</table>

Reasonable Exposure Time

Implicit in the definition of market value is the concept of exposure time. The existing subject property must be exposed to the marketplace, however reasonably defined
by knowledgeable participants, for a time in order to achieve a sale price of the concluded value herein. It is important to estimate the reasonable time period required for proper marketing.

Based on the condition of the current market for these properties, and based on the experience of the existing subject tract, and based on the experience of the comparable sales included in the direct sales comparison approach section of this report, as well as the data listed above of an average DOM of 299 days, it appears that a reasonable exposure period (a retrospective time estimate), including the time which elapses from contract to closing, for the subject tract marketed independently would be one year.

*Dictionary of Real Estate Appraisal, 4th Edition* - *The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.*

**FEMA Flood Hazard Area**

The subject property appears to be located in Zone X500, clearly outside of areas identified by the Federal Emergency Management Agency as subject to frequent flooding. The subject property is found on map number Map # 21145C0162F dated 11/02/2011.

**Definition of Market Value**

Market Value is defined as set forth in title 12 of the code of Federal regulations 564.2 (f): and by the Office of Thrift Supervision:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimuli”

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

a. buyer and seller are typically motivated;

b. both parties are well informed or well advised, and each acting in what he considers his own best interest;

c. a reasonable time is allowed for exposure in the open market;

d. payment is made in terms of cash in U.S. dollars or in terms of financial comparable thereto; and

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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.

**Property Rights Appraised**

The rights being appraised are those rights generally associated with a fee simple interest. A **Fee Simple** interest is defined¹ as:

> 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.

**Regional and City Data**

Since the early 1800's, Paducah has enjoyed the development of industrial and commercial growth. Much of this growth is linked directly to the successful operation of the many river-related businesses in Paducah.

The river has helped Paducah continue to grow into the center of activity in western Kentucky. A sound base has developed to support the many areas needed to make the Paducah community diversified in its economy. The success of the community was developed in its agriculture, education, culture, recreation, and spiritual opportunity, as well as its emphasis toward business and industry.

Paducah's population, slightly more than 30,000 has remained relatively stable although, it has declined slightly. A move toward suburban development has been occurring in recent years, as well as the restoration and redevelopment of the downtown area, both in housing and businesses.

Paducah is the only city of relative size within more than a hundred miles in all directions. Because of this, the city has become a center for culture, education, medicine, and the arts. West Kentucky Community and Technical College offers the regions' young people and adults an exciting spectrum of educational opportunities.

Access to Paducah is very easy via U.S. Highways 45, 60, and 62. Interstate Highway 24 (an AAA rated roadway) that runs through Paducah, provides direct access to the Western Kentucky Parkway, an east-west road within a distance of 36 miles east, and provides access to Interstate 57 that is 42 miles to the northwest.

Railroad service to Paducah is provided by the Paducah and Louisville Railroad and the Paducah and Illinois Railroad. The Paducah and Louisville Railroad (P&L) offers three northbound and three southbound manifest freights making daily stops, switching facilities, team track and siding space, and piggyback facilities. The Paducah and Illinois Railroad consists of 16 miles of track between Paducah, Kentucky and Metropolis, Illinois. The Paducah and Illinois Railroad is jointly owned and operated by ICG and the Burlington Northern Railroad Company.

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For access by water, the Paducah-McCracken County Riverport is located at the confluence of the Ohio and Tennessee Rivers, both of which have nine-foot navigation channels. The port is located 48 miles east of the confluence of the Ohio and Mississippi Rivers, and at the head of the Tennessee-Tombigbee Waterway. Facilities at the river include an eight-acre cargo area, 35,000 square feet of warehouse space, 40,000 square feet of open storage, and bulk handling and grain facilities.

Air access is provided by the Barkley Regional Airport, which is located eight miles west of Paducah and has two paved runways, 6,500 feet and 4,000 feet in length. Commuter air carrier service is available.

Paducah is served by all major utilities. Electricity is provided by The Electric Plant Board of the City of Paducah, D/B/A Paducah Power System. The power source for the electric company is the Tennessee Valley Authority. The Jackson Purchase Electric Cooperative Corporation, whose source of power is Big Rivers Electric Corporation, furnishes electricity to most of McCracken County. Kentucky Utilities Company, an electric power generation and transmission company, serves the remainder of the county.

Natural gas service to Paducah is provided by the Western Kentucky Gas Company, whose source of power is the Texas Gas Resources Corporation. There are also two propane suppliers and six fuel oil suppliers in the Paducah area.

Paducah Water Works provides treated water to the Paducah area. The treatment plant capacity is 12,000,000 gallons per day. Average daily water consumption is 6,000,000 gallons, and peak daily consumption is 9,600,000 gallons. Two water districts also serve industrial sites in McCracken County.

Paducah is served by the City of Paducah wastewater treatment facility that provides sewerage service to Paducah. The average treatment design capacity of the treatment plant is 9,000,000 gallons per day, and average daily flow is 8,000,000 gallons. Two sewer districts also serve industrial sites in McCracken County.

Paducah and McCracken County have an excellent educational system. The Southern Association of Colleges and Schools accredits both systems. There are also two non-public schools and several special education centers in the area. Five institutions of higher learning are located within 75 miles of Paducah, including West Kentucky Community and Technical College, a unit of Kentucky's community college system.

Paducah has an abundance of other facilities such as hospitals, churches, and financial institutions. Two hospitals are located in Paducah, Lourdes Hospital and Western Baptist Hospital. There are approximately 22 religious denominations represented in the Paducah area.

Paducah's commercial entities first developed along and around the river, (The central business district), and moved southward along state highways, and finally rested along the I-24 corridor. Paducah's highway commercial development radiates from the central business district, along the river, outward along main transportation arteries like the spokes on a bicycle wheel.

Major transportation arteries running predominately east and west are Highway 60, 62, (Sometimes called Irvin Cobb Drive), and the I-24 business loop, which parallels the Ohio River. Heavy commercial development has occurred along these arteries with various land uses catering to vehicular traffic. North and south arteries that have had similar development have been I-24, Highway 45 and parts of 28th Street. There has also been a recently created Husbands Road connector. This new road connects I-24 to Irvin Cobb Drive and the I-24 business loop and should continue to promote further development.
With the completion in the late 1970s of I-24 connecting Paducah with Nashville, Tennessee to the southeast and I-57 to the northwest, major commercial activity began locating along the I-24 corridor, specifically, the interstate exits for U. S. Highways 45, 60 and 62. I-24 has been mentioned separately from highway commercial development due to the tremendous effect it has had on development of Paducah. To a great extent, the interstate has supplanted the importance of both the river and the previous transportation network in the commercial development of Paducah.

From all indications, the central business district has been the definite loser in the battle to attract commercial land uses. The total commercial development of Paducah was shifting toward I-24. The effect of this shift has left the CBD in a state of transition. This process accounts for the vacancies in the CBD and the importance of Highways 45, 60 and 62 as commercial strips. The resulting shift is not only occurring in the commercial land uses, but as will be seen, in residential and industrial sectors of Paducah as well. The result of this shift has caused tremendous commercial pressures to be directed along the highways and the interstate.

### Neighborhood Data

The relatively recent commercial growth in Paducah and McCracken County has been concentrated alongside U.S. Highway 60, west of the city center, and south along Lone Oak Rd, and south east along Benton Road in Reidland. An extraordinary progression of commercial enterprise has transpired in and around the U.S Highways 62, 60 and Interstate 24 intersection.

The neighborhood that surrounds the subject property is influenced by two prime factors:

1. Interstate 24, a national east - west roadway, connects the Southeastern United States to the upper Midwestern United States. The advantage of location near this artery allows virtually unrestricted access from a substantial portion of the Central United States.

2. U.S. Highway 60/62/68 (Clarks River Rd), intersecting with Wayne Sullivan Dr (the Loop) is a major thoroughfare providing four and five-lane access from downtown Paducah to the south; intersecting Interstate 24; and linking a principal local residential area. The highway also affords indirect access to the Paducah Information Age Park, Barkley Regional Airport, approximately twenty miles west of the subject tract.

In addition, Barkley Regional Airport, which offers the only commercial airport service within one hundred miles, is located approximately fifteen miles west of the subject. Proximity to major demand generators is positive and makes the location of the subject parcel readily identifiable.

Extensive growth of residential subdivision development has also occurred on the south side of Paducah, south and southeast of the subject properties. Several of the more expensive subdivisions (>\$150,000) have developed in the Reidland and west Paducah vicinities.

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Analysis

The nature of the subject dictates that the neighborhood and city analysis portion of an appraisal is very important. Paducah and McCracken County provide an excellent population base for business and industry. The overall economic and development outlook for this area is very favorable.

2010 census data currently available reveals approximately 66,000 people live in McCracken County alone. Also, as mentioned above, many regional customers are attracted to Paducah for the services and amenities, which are available. The future value of the subject properties depends on a continuation of the ability of the Kentucky Oaks Mall area to attract consumers to the Paducah area.

Paducah is well served by rail, highway, water, and air transportation. There are few cities of this size that enjoy the availability of all five of these transportation modes. Municipal government, utilities, and educational opportunities are constantly improving, and should continue to lure commercial and industrial growth, and resultant residents.
A summary of the economic factors within the area affecting the subject property follows.

- Sales prices of similar properties are as stated within the Direct Sales Comparison approach. Virtually no new construction of buildings for sale or lease (of similar quality and style buildings) has taken place in the market. Almost all of the spec space constructed within the past several years has been by municipalities in the region. Such shell buildings, often partially finished, are then purchased by small industrial or warehouse users, and are finished to suit the user. These buildings are not common, and do not represent a significant portion of the space inventory of the region.

- Market activity has been fair throughout the region, although buildings of the size and quality of the subject are rare. Occupancy and absorption rates are closely related, since virtually all the new space is pre-leased or owner occupied (or, as stated before, spec building by a municipality). With virtually no new buildings vacant, pre-leasing is the norm and vacancy is minimal. The resulting vacancy rate is normal. Rental rates are slowly increasing, as costs increase to developers.

- There are no closely comparable properties under construction that will be for sale or lease within the market. None are in the planning pipeline, and none have been announced.

- There are no current or pending rent control laws in the county of McCracken. None appears likely to be enacted; there are no news reports of such an ordinance being considered, and no public sentiment for such laws, now or in the recent past.

- The tenant base and tenant demand generations for the area are both in substantial equilibrium. Supply and demand appears to be in balance. The recent major elimination in jobs at USEC has occurred. Substantial state and federal programs have been implemented for worker re-training. It remains to be seen how this large job reduction will affect the Jackson Purchase area. Demand for space such as that the subject provides is relatively constant and not anticipated to change dramatically.

- The subject is likely to remain competitive throughout the holding period and continue through the mortgage term. The improvements are located appropriately, have ample and appropriate site improvements, are constructed of appropriate materials with attention to long term low maintenance occupancy, are somewhat functional, are served by highway, and all appropriate utilities.

- Financing for the subject tract is readily available from local financial institutions. The size of the credit, the environmental quality of the site, the occupancy and cash flow provided by the occupant encourage lenders to extend credit to worthy borrowers.

No other factors appear likely to affect the long-term viability of the subject property.
# Major Business & Industry

(Manufacturing & Service & Technology Firms Only)

<table>
<thead>
<tr>
<th>Firm</th>
<th>Product(s)/Service(s)</th>
<th>Emp.</th>
<th>Year Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>AmerisourceBergen</td>
<td>Pharmaceutical distribution</td>
<td>107</td>
<td>1876</td>
</tr>
<tr>
<td>Coca-Cola Paducah</td>
<td>Sales &amp; distribution of bottled and canned soft drinks produced by Coca-Cola Enterprises</td>
<td>109</td>
<td>1939</td>
</tr>
<tr>
<td>Cole Lumber Co Inc</td>
<td>Roof &amp; floor trusses, lumber</td>
<td>75</td>
<td>1946</td>
</tr>
<tr>
<td>Computer Services Inc</td>
<td>Headquarters and provider of service and software solutions for banks in both a service bureau and an in-house environment.</td>
<td>220</td>
<td>1965</td>
</tr>
<tr>
<td>Credit Bureau Systems</td>
<td>Headquarters: credit reporting, bad-debt collections, early-out patient billing, insurance billing, day-1 physician billing, tenant screening</td>
<td>262</td>
<td>1952</td>
</tr>
<tr>
<td>Dippin' Dots LLC</td>
<td>Headquarters: ice cream, yogurt, sherberts, and flavored ices. franchise sales and support.</td>
<td>170</td>
<td>1995</td>
</tr>
<tr>
<td>H B Fuller Co</td>
<td>Adhesives</td>
<td>75</td>
<td>1987</td>
</tr>
<tr>
<td>H T Hackney Co</td>
<td>Wholesale distribution</td>
<td>110</td>
<td>1989</td>
</tr>
<tr>
<td>Henry A Petter Supply Company LLC</td>
<td>Headquarters, industrial supply/distribution</td>
<td>200</td>
<td>1990</td>
</tr>
<tr>
<td>Ingrom Barge Company</td>
<td>Headquarters, supportive service operations</td>
<td>100</td>
<td>2006</td>
</tr>
<tr>
<td>James Marine Inc</td>
<td>Headquarters</td>
<td>300</td>
<td>1986</td>
</tr>
<tr>
<td>Lynx Services LLC</td>
<td>Customer service center</td>
<td>265</td>
<td>1999</td>
</tr>
<tr>
<td>Marquette Transportation Company LLC</td>
<td>Headquarters &amp; warehouse</td>
<td>85</td>
<td>N/A</td>
</tr>
<tr>
<td>National Maintenance &amp; Repair of Kentucky Inc</td>
<td>Barge repair: welding services, harbor service and boat repair, mid stream services</td>
<td>151</td>
<td>1992</td>
</tr>
<tr>
<td>Precision Machine Inc</td>
<td>Machine shop; ship repairing, metal &amp; plastic fabricating, arc &amp; gas welding, millwright services</td>
<td>75</td>
<td>1964</td>
</tr>
<tr>
<td>UPS</td>
<td>Small package distribution</td>
<td>95</td>
<td>N/A</td>
</tr>
<tr>
<td>USEC Paducah Plant</td>
<td>Government &amp; uranium enrichment</td>
<td>871</td>
<td>1952</td>
</tr>
<tr>
<td>VWInTech Window &amp; Door Inc</td>
<td>Headquarters. Manufacturer of vinyl windows and doors and corporate offices for manufacturing and building material distribution centers.</td>
<td>177</td>
<td>1977</td>
</tr>
<tr>
<td>VMV Paducahblit</td>
<td>Re-manufactured locomotives and component parts</td>
<td>181</td>
<td>2002</td>
</tr>
<tr>
<td>Wagner Moving &amp; Storage Inc</td>
<td>Warehousing/storage</td>
<td>75</td>
<td>1969</td>
</tr>
</tbody>
</table>

Source: Kentucky Cabinet for Economic Development (1/17/2014).

# Summary of Recent Locations and Expansions, 2011-Present

<table>
<thead>
<tr>
<th>Category</th>
<th>Companies</th>
<th>Jobs</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Location</td>
<td>3</td>
<td>131-203</td>
<td>$23,695,376</td>
</tr>
<tr>
<td>Manufacturing Expansion</td>
<td>8</td>
<td>54-74</td>
<td>$7,141,001</td>
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<tr>
<td>Supportive/Service Location</td>
<td>1</td>
<td>300-450</td>
<td>$5,000,000</td>
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<tr>
<td>Supportive/Service Expansion</td>
<td>4</td>
<td>53</td>
<td>$4,275,000</td>
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Property Description
Harry Crisp Center

<table>
<thead>
<tr>
<th>Parcel ID</th>
<th>Gross Land Area (Acres)</th>
<th>Gross Land Area (Sq Ft)</th>
<th>Usable Land Area (Acres)</th>
<th>Usable Land Area (Sq Ft)</th>
<th>Topography</th>
<th>Shape</th>
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<tbody>
<tr>
<td>120-23-00-04</td>
<td>7.28</td>
<td>317,117</td>
<td>7.28</td>
<td>317,117</td>
<td>Level</td>
<td>Site shape</td>
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</tbody>
</table>

Notes:

SITE

Location: The subject is located on the north side of Irvin Cobb Dr, at the corner of Irvin Cobb and Bethel St.

Site Size: Total: 7.28 acres; 317,117 square feet

Shape: The site is roughly rectangular.

Visibility: Average

Topography: The subject has level topography at grade and no areas of wetlands.

Soil Conditions: The soil conditions observed at the subject appear to be typical of the region and adequate to support development.

Utilities: Electricity: The site is served by public electricity.
Sewer: City sewer
Water: City water
Natural Gas: Atmos Gas
Adequacy: The subject’s utilities are typical and adequate for the market area.

Site Improvements: • Public Lighting
• Public Sidewalks
• Public Curb & Gutter
• The subject has average landscaping.
Tax Map
**IMPROVEMENTS DESCRIPTION**

Development/Property Name: Crisp Center

Property Type: Commercial

Overview: Harry Crisp Center

<table>
<thead>
<tr>
<th>Building Name/ID</th>
<th>Year Built</th>
<th>Condition</th>
<th>Number of Stories</th>
<th>Gross Building Area</th>
<th>Rentable Area</th>
<th>Number of Building Units</th>
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</thead>
<tbody>
<tr>
<td>Crisp Center</td>
<td>1960</td>
<td>Fair</td>
<td>1.0</td>
<td>97,522</td>
<td>97,522</td>
<td>0</td>
</tr>
</tbody>
</table>

**GENERAL - CRISP CENTER**

Building Identification: Crisp Center

Building Description: Office/Warehouse

Building Class: B

Construction: Steel and masonry

Construction Quality: Average

Age: 30+

Effective Age: 20 years

Remaining Useful Life: 30

Condition: Fair

Appeal/Appearance: Average

Areas, Ratios & Numbers:
- Number of Stories: 1.00
- Gross Building Area: 97,522
- Building Efficiency Ratio: 100.0%

**FOUNDATION, FRAME & EXTERIOR - CRISP CENTER**

Foundation: Poured concrete footings

Trifecta Real Estate Services
### Structural Frame
- Prefabricated Metal

### Exterior
- Brick

### Windows
- Fixed Casement

### Roof/Cover
- Flat / Tar and Gravel

### Other

<table>
<thead>
<tr>
<th><strong>INTERIOR - CRISP CENTER</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interior Layout:</strong></td>
<td>Average</td>
</tr>
<tr>
<td><strong>Floor Cover:</strong></td>
<td>Carpet, Linoleum, Tile</td>
</tr>
<tr>
<td><strong>Walls:</strong></td>
<td>Painted drywall</td>
</tr>
<tr>
<td><strong>Ceilings &amp; Ceiling Height:</strong></td>
<td>Acoustic ceiling panels</td>
</tr>
<tr>
<td><strong>Lighting:</strong></td>
<td>A mix of fluorescent and incandescent lighting.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>MECHANICAL SYSTEMS - CRISP CENTER</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heating:</strong></td>
<td>Electric</td>
</tr>
<tr>
<td><strong>Cooling:</strong></td>
<td>Package Units</td>
</tr>
<tr>
<td><strong>Plumbing Condition:</strong></td>
<td>Average</td>
</tr>
<tr>
<td><strong>Sprinkler:</strong></td>
<td>Adequate</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>PARKING</strong></th>
<th></th>
</tr>
</thead>
</table>
| **Parking Type and Number of Spaces:** | Type: Paved open surface parking  
Spaces: 50  
Condition: Average |
| **Parking Ratio:** | .51 spaces per 1,000 square feet. |
| **Other:** |  |
Improvement Description Analysis

It appears that the existing subject improvements were completed using average quality materials and workmanship. Buildings of this type have estimated physical lives of between 45 and 55 years and it does not appear that there are any significant functional or economic loss in the improvements that would shorten the actual physical life of the property.

Surrounding the existing subject improvement there appears that there is an adequate amount of asphalt parking and drives. Other existing on-site accessory land improvements include landscaping and building identification.

In general, the location of the existing building on the subject site, the design, maintenance and materials to be used in the construction of the facility appear to be adequate and functional.

Access and visibility is average along Irvin Cobb Dr. The existing land to building ratio appears to be adequate and the amount of parking appears to be adequate and compliant. In general, the existing subject improvements appear that they were built with average quality workmanship and materials but has not been very well maintained. I would consider the existing subject improvements to be functional and economic utility to be average. The profitability of the subject is what I question. The roof of the subject is in poor condition. Significant attention needs to be given to the condition of the property.
Subject Photographs
Assessment and Taxes

The McCracken County Property Valuation Administrator currently identifies the subject property as a portion of Map # 120-23-00-043 and 42.01. According to the option information, the subject tract consists of 7.28 acres m/l of land. The property owner is currently tax exempt. Based on the appraised value, the tax bill will be approximately $12,500. This does not appear to create an undue burden on the subject property and is reasonable in light of tax assessments and rates on properties surrounding the subject. The tax bill would be reasonable in relation to municipalities similar to Paducah in this area. This tax assessment and rate does not impede further development of the subject property.

Since tax rates in Kentucky are applied to transaction-based assessments of 100% of fair market value, tax bills tend to be stable and predictable. A local tax appeals board can make adjustments to properties that appear to be over-assessed each year in May. As such, tax comparables are largely moot.

Ownership Data and Three-Year Sales History

The subject has no transferred in the past 3 years. The subject was under option for $2,200,000. The option date is July 1, 1998. It was a Lease with an option to purchase. Murray State has recently let the option laps., which gives the ownership solely back to the current owner.

Zoning

The subject property is inside the city limits of Paducah, therefore, it is under the auspices of the Paducah Planning and Zoning Commission. The surrounding uses, a combination of transitional recreational, residential and a light to medium density retail uses have been in place for quite some time. The M-1 zoning is typical in this area and does not negatively affect the subject’s marketability. There is ample room on the subject property for the development and reasonable expansion.
Highest and Best Use

The Appraisal Institute, in its publication, THE APPRAISAL OF REAL ESTATE defines highest and best use as follows:

"The most profitable, likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. However, elements affecting value that depend on events or a combination or occurrences that, although, in the realm of possibility, are not fairly shown to be reasonably probable, should be excluded from consideration. Also, if the intended use is dependent on an uncertain act of another person, the intention cannot be considered."

"That use of the land that may reasonably be expected to produce the greatest net return to land over a given period of time. That legal use that will yield to land the highest present value, sometimes called 'optimum use'."

In estimating highest and best use, there are essentially four factors of analysis:

1. Possible use. What uses of the site in question are physically possible?
2. Permissible use (legal). What uses are permitted by zoning and deed restrictions on the site in question?
3. Feasible use. Which possible and permissible uses will produce a net return to the owner of the site?
4. Highest and best use. Among the feasible uses, which use will produce the highest net return or the highest present worth?

Performing highest and best use analysis initially requires utilization of a three-step process.

(1) Make a determination as to leave the site vacant or improve it.
(2) If the determination is to improve the site, then determine the ideal improvement.

Finally, a determination must be made as to leave the property in its present form or to modify the improvements to conform to the ideal improvement

Highest and Best Use as Though Vacant

The highest and best use of the land (or site) if vacant and available for use may be different from the highest and best use of the improved property. This is true when the improvement is not an appropriate use, but it makes a contribution to the total property value in excess of the value of the site.
The subject site is large enough, approximately 7.28 ac m/l, for practically any use that can be reasonably projected for the subject tract. The proximity and access to Irvin Cobb Dr also enhances the physical possibilities of the subject site. The topography and shape of the tract do not significantly impede development. There are adequate utility systems and public facilities for most types of moderate density commercial developments.

Test of Legal Permissibility

The subject site is located in an area designated as a M-1 Light Industrial District by the City of Paducah Planning and Zoning Commission. This zoning allows for a wide range of general uses. The Paducah zoning ordinance allows for a step down process. The subject’s Industrial/Commercial use is allowed under this ordinance.

All of the sites within this commercial corridor are zoned either B-3 or M-1. This zoning designation has been in place for several years and there is no reason that this zoning designation will change in the immediate future. The subject site’s zoning is consistent with and compliments the surrounding uses. Therefore, potential uses meeting the legal permissibility test include office and other related service commercial uses.

Test of Physical Possibility

The subject site has significant frontage along Irvin Cobb Dr. The subject site has a total land area of 7.28 ac. The site is roughly rectangular in shape, appears that it is well drained, and all municipal utilities are available. The subject site is considered to have good visibility, ample frontage and good ingress and egress. The subject site contains no physical limitations that would prevent the site from being developed with any of the uses allowed under the zoning regulations.

As previously described, the majority of the sites within this immediate area are developed as office properties. Although a few other property types are allowed and exist in this area, the majority of the sites are developed with retail businesses. Typical improvements for properties in the subject’s immediate area are one-story structures ranging in age from new to thirty years.

Test of Financial Feasibility

The neighborhood analysis section of this report describes the historical development for the immediate subject site area. Recent developments have been primarily commercial properties providing goods and services to the residents.

Office units within this area have high occupancy rates and rental rates for retail and service spaces appear to be rising. The majority of the subject improvements should have average lease rates for the subject and several other surrounding similar spaces approach $2 to $10 per square foot of gross leasable area best indicate this trend.

Data retained in my work file shows land values in the immediate area of the subject are considered moderate. Based on this information, an office/commercial use will most easily pass the test of financial feasibility.
Test of Maximum Productivity

The test of maximum productivity is the final “hoop” a prospective highest and best use must be able to jump through. As demonstrated in the site valuation section of this report, the subject site has an indicated value within the middle of the range of values within this immediate market. Also, the strongest site values in the total Mayfield market are being created by the sales of properties in the immediate area south of the subject, particularly between the intersections of Irvin Cobb Dr with Wayne Sullivan Ave, just southeast of the subject. This area is the focal point for retail development.

The subject site has good ingress and egress and excellent visibility. The subject sites’ visibility is along a very heavily traveled traffic artery in the market and there is an ample supply of residences or roof tops in the immediate area surrounding this commercial zone. These are all vital factors to developers of similar use properties that are paying premium prices for developmental sites. The subject site is best suited for a commercial use of this nature.

Based on the subject site having passed the four tests of highest and best use as though vacant and considering the development and apparent success of the surrounding properties; I conclude a highest and best use of an commercial use for the subject site.

Highest and Best Use as Improved

Test of Legal Permissibility

The subject improvements on the property meet or exceed the requirements of M-1 District designation currently governing the site. I am not aware of any binding legal restrictions concerning the use of the subject property as improved. Again, the M-1 zoning designation has been in place for several years and there is no reason that this zoning designation will change.

Test of Physical Possibility

The subject improvements were built with good quality craftsmanship and materials, and have been reasonably well maintained. The subject floor plan includes 97,522 square feet of GBA space. The subject’s design is similar to that of the surrounding market. There is an ample amount of office space, secretarial space, and storage to service the majority of the tenant base in this area. The entire improvement appears functional and does not suffer from any apparent design flaw. The subject has been very well maintained throughout its physical life. Its condition is similar to that of the surrounding market and no renovations are necessary that would not be considered a super-adequacy. Demand for commercial space in this immediate area is high leaving vacancy rates at about 10%. All other physical characteristics of the subject improvements appear to be in line with general market requirements for ideal properties in this area.

Trifecta Real Estate Services
Test of Financial Feasibility

The income information described in further detail herein and the leases of similar properties in the subject market demonstrates the ability to retain and attract tenants in this market. This is typical of the market and is well supported by the market. After interviews from local builders in the area with an average overall new construction cost of $15 per sf. Together with an indicated sale price of $25 per sf for new commercial space we have determined that it would not be financially feasible to demolish and rebuild the subject. The income section of this report further demonstrate the feasibility of the subject project.

Test of Maximum Productivity

Taking into consideration the items noted in the previous three tests, the maximum productivity of the property as improved is considered average to good and it should be enhanced as area rental rates continue to appreciate. Due to the nature of this immediate area and the demand for quality space the evidence is clear.

Conclusion of Highest and Best Use as Improved

After a full analysis of the data and details concerning the subject property it seems clear that the as improved highest and best use should be commercial in nature.

Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Cost Approach
The Cost Approach is summarized as follows:

\[
\text{Cost New} - \text{Depreciation} + \text{Land Value} = \text{Value}
\]

Income Approach
The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

Sales Comparison Approach
The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The
values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

**Final Reconciliation**

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

**Analyses Applied**

A **cost analysis** was considered and was not developed because the age of the improvements makes the depreciation difficult to accurately measure.

A **sales comparison analysis** was considered and was developed because there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

An **income analysis** was considered and was developed because the subject is an income producing property and there is adequate data to develop a value estimate with this approach.
The Cost Approach to Value

The cost approach to value, like the sales comparison and income approaches, is based on comparison. The cost to construct a building and the value of an existing building are compared. The cost approach to value reflects market trends in recognition by buyers and sellers of the relationship of value to cost. Buyers tend to judge the value of an existing structure by comparing it to the value of a newly constructed building with optimal functional utility.

Moreover, buyers adjust the prices they are willing to pay by estimating the costs to bring an existing structure to desired levels of functional utility. Because cost and market value are closely related when properties are new, the cost approach is an important approach used to derive a market value indication for new construction. The approach is especially persuasive when the improvements are new or suffer only minor physical deterioration, functional obsolescence, or external obsolescence, and therefore represent a function that is similar to the highest and best use of the land as though vacant.

The approach is also widely employed in estimating the market value of special use properties and other properties that are not frequently exchanged in the marketplace. Buyers of such properties measure the price they will expend for an existing building against the cost to build a replacement structure, less accrued depreciation, or to purchase an existing structure and to make necessary modifications. Because comparable sales are not always available for analysis, the currently accepted market indications of depreciated cost, or the costs for acquiring and refurbishing an existing building provide the best reflections of market tendencies, and thus of market value.

When improvements are older and do not represent the highest and best use of the land as though vacant, the physical deterioration, functional obsolescence, and external obsolescence that have accrued to the structure are more difficult to estimate. This tends to make the cost approach a less effective tool for estimating market value in these instances, and the other approaches are relied upon more heavily.

The cost approach requires separate valuation of land and improvements, and is useful in special situations, such as: Insurance purposes; tax purposes, when ad valorem tax laws require separation; and accounting purposes, when depreciation must be estimated for income taxes.

The procedure for the cost approach includes an inspection of the neighborhood, the site and the improvements, and collection of all available relevant data. The following are used to derive a value indication by the cost approach:

1. Estimation of the value of the land as though vacant and available to be developed to highest and best use.
2. Estimation of the replacement cost of the structure as of the appraisal date.
3. Estimation of the amount of accrued depreciation in the structure, categorized by physical deterioration, functional obsolescence, and economic obsolescence.
4. Deduction of the appropriate estimated depreciation from the replacement cost of the structure to derive estimate of the structure's contribution to total value.

5. Addition of the estimated total present value of all improvements to land value to obtain an indication of value for the subject property.

Since the original structural improvements are beyond 30 years in actual age, the important consideration becomes effective age, a rather imprecise term. The completion of the cost approach for this appraisal assignment is not appropriate. It would require huge estimates of accrued depreciation on the basic structure. These estimates and adjustments would be largely subjective and render the process meaningless. As a result, the cost approach is not appropriate and will not be used in this appraisal assignment.

Sales Comparison Approach
The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.

- The most pertinent data is further analyzed and the quality of the transaction is determined.

- The most meaningful unit of value for the subject property is determined.

- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.

- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Comparables
I have researched three comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.
<table>
<thead>
<tr>
<th>Comp</th>
<th>Address City</th>
<th>Grantor</th>
<th>Price</th>
<th>Price Per SF</th>
<th>Year Built</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>3000 Irvin Cobb Dr</td>
<td>University of Kentucky</td>
<td>--</td>
<td>--</td>
<td>1960</td>
<td>Steel and masonry</td>
</tr>
<tr>
<td>1</td>
<td>303 N 13th St</td>
<td>Allen</td>
<td>$200,000</td>
<td>$8.00</td>
<td>1976</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>1107 Fulton Rd</td>
<td>Waggoner</td>
<td>$637,500</td>
<td>$10.67</td>
<td>1970</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>632 S 3rd St</td>
<td>Miller</td>
<td>$300,000</td>
<td>$9.10</td>
<td>1960</td>
<td>0</td>
</tr>
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Trifecta Real Estate Services
### Transaction

<table>
<thead>
<tr>
<th>ID</th>
<th>Date</th>
<th>Address</th>
<th>Price</th>
<th>Price Per SF</th>
<th>State</th>
<th>City</th>
<th>Financing</th>
<th>Transaction Type</th>
<th>Tax ID</th>
<th>Grantor</th>
<th>Property Rights</th>
<th>Grantee</th>
<th>Days on Market</th>
<th>Legal Description</th>
<th>Verification Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1118</td>
<td>3/30/2016</td>
<td>303 N 13th St</td>
<td>$200,000</td>
<td>$8.00</td>
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<td>Paducah</td>
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<td>Allen</td>
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### Site

<table>
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<tr>
<th>Acres</th>
<th>Topography</th>
<th>Land SF</th>
<th>Zoning</th>
<th>Road Frontage</th>
<th>Flood Zone</th>
<th>Shape</th>
<th>Encumbrance or</th>
<th>Environmental Issues</th>
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</thead>
<tbody>
<tr>
<td>0.8</td>
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<td>NA</td>
<td>NA</td>
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### Improvements & Financial Data

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<thead>
<tr>
<th>Source For SF Area</th>
<th>Rentable Area</th>
<th>No. of Units</th>
<th>Year Built</th>
<th>Renovations</th>
<th>Condition</th>
<th>PGI</th>
<th>EGI</th>
<th>Expense Ratio</th>
<th>NOI</th>
<th>Cap Rate</th>
<th>EGI/M</th>
<th>Comments</th>
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<tbody>
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<td>EGI</td>
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<td>1976</td>
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<td>average</td>
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### Comments

NA
## Comparable 2

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<tr>
<td>ID</td>
<td>1239</td>
<td>Date</td>
</tr>
<tr>
<td>Address</td>
<td>1107 Fulton Rd</td>
<td>Price</td>
</tr>
<tr>
<td>City</td>
<td>Mayfield</td>
<td>Price Per SF</td>
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<td>Legal Description</td>
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<tr>
<th>Site</th>
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<td>Utilities</td>
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<td>Topography</td>
<td>level</td>
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<td>Zoning</td>
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<tr>
<td>Flood Zone</td>
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<tr>
<td>Encumbrance or</td>
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<tr>
<td>Environmental Issues</td>
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<table>
<thead>
<tr>
<th>Improvements &amp; Financial Data</th>
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<tbody>
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<td>Source For SF Area</td>
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<tr>
<td>Rentable Area</td>
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<td>No. of Units</td>
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<tr>
<td>Year Built</td>
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<td>Renovations</td>
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<td>Condition</td>
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<tr>
<td>PGI</td>
<td>NA</td>
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<tr>
<td>EGI</td>
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<td>Expense Ratio</td>
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<td>NOI</td>
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<td>Cap Rate</td>
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<th>Comments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>
## Comparable 3

<table>
<thead>
<tr>
<th>Transaction</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ID</td>
<td>1240</td>
<td>Date</td>
</tr>
<tr>
<td>Address</td>
<td>632 S 3rd St</td>
<td>Price</td>
</tr>
<tr>
<td>City</td>
<td>Paducah</td>
<td>Price Per SF</td>
</tr>
<tr>
<td>State</td>
<td>KY</td>
<td>Transaction Type</td>
</tr>
<tr>
<td>Tax ID</td>
<td>NA</td>
<td>Financing</td>
</tr>
<tr>
<td>Grantor</td>
<td>Miller</td>
<td>Property Rights</td>
</tr>
<tr>
<td>Grantee</td>
<td>Mott</td>
<td>Days on Market</td>
</tr>
<tr>
<td>Legal Description</td>
<td>NA</td>
<td>Verification Source</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Site</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>2.2</td>
<td>Topography</td>
</tr>
<tr>
<td>Land SF</td>
<td>93,654</td>
<td>Zoning</td>
</tr>
<tr>
<td>Road Frontage</td>
<td>NA</td>
<td>Flood Zone</td>
</tr>
<tr>
<td>Shape</td>
<td>rectangular</td>
<td>Encumbrance or</td>
</tr>
<tr>
<td>Utilities</td>
<td>public</td>
<td>Environmental Issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improvements &amp; Financial Data</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Source For SF Area</td>
<td>NA</td>
<td>PGI</td>
</tr>
<tr>
<td>Rentable Area</td>
<td>NA</td>
<td>EGI</td>
</tr>
<tr>
<td>No. of Units</td>
<td>1</td>
<td>Expense Ratio</td>
</tr>
<tr>
<td>Year Built</td>
<td>1960</td>
<td>NOI</td>
</tr>
<tr>
<td>Renovations</td>
<td>NA</td>
<td>Cap Rate</td>
</tr>
<tr>
<td>Condition</td>
<td>fair</td>
<td>EGI/M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

Trifecta Real Estate Services
The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.
<table>
<thead>
<tr>
<th>Analysis Grid</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>3000 Irvin Cobb</td>
<td>303 N 13th St</td>
<td>1107 Fulton Rd</td>
</tr>
<tr>
<td>City</td>
<td>Paducah</td>
<td>Paducah</td>
<td>Paducah</td>
</tr>
<tr>
<td>State</td>
<td>KY</td>
<td>KY</td>
<td>KY</td>
</tr>
<tr>
<td>Date</td>
<td>8/8/2018</td>
<td>3/30/2016</td>
<td>4/18/2018</td>
</tr>
<tr>
<td>Price</td>
<td>--</td>
<td>$200,000</td>
<td>$637,500</td>
</tr>
<tr>
<td>GBA</td>
<td>97,522</td>
<td>25,000</td>
<td>59,740</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights</td>
</tr>
<tr>
<td>Financing</td>
</tr>
<tr>
<td>Conditions of Sale</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted GBA Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Trends Through 8/8/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted GBA Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location % Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Adjustment</td>
</tr>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GBA % Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Adjustment</td>
</tr>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Built % Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acres % Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Adjustment</td>
</tr>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Condition % Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Adjustment</td>
</tr>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Adjustment</td>
</tr>
<tr>
<td>$ Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted GBA Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Adjustments Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>-50.0%</td>
</tr>
<tr>
<td>-10.0%</td>
</tr>
<tr>
<td>-45.0%</td>
</tr>
<tr>
<td>80.0%</td>
</tr>
<tr>
<td>20.0%</td>
</tr>
<tr>
<td>55.0%</td>
</tr>
</tbody>
</table>
Comparable Sale Adjustments

Property Rights
The subject and all of the comparable sales selected are owned in fee simple title. Sometimes, in this market for industrial buildings of this type are encumbered with contractual leases. These leases are generally five to ten years in length with various renewal options and may or may not be at market rent. No adjustment is necessary for a difference in property rights conveyed.

Financing
All of the comparables utilized sold for cash or typical market terms with cash to the seller. No adjustment for favorable financing is required for these sales unless noted otherwise.

Conditions of Sale
The sales included in the analysis are considered to be arm’s length transactions and no condition of sale adjustment is necessary. No items not considered realty were included in any of the transactions.

Economic Trends
All of the sales are considered to have taken place under market conditions that were similar to current market conditions.

Location
The subject and each of the comparable sales within the grid is located within an area of their respective communities where similar light industrial and warehousing properties are located. No adjustment is deemed necessary.

GBA
The subject property contains 97,522 square feet m/l of gross building area (GBA). In comparison, the sizes of the comparables range from 25,000 to 60,000 square feet of GBA, which does not fully brackets the subject. Based on this and other market information, an adjustment to comparable #1 & 3 is necessary based on the principle of diminishing returns.

Age/Effective Age
The adjustments for Age/Effective Age are derived from the relationship between effective age of the subject and sales, and the average depreciation per year. Based on the above market evidence, it is clear that an adjustment for an effective age difference of 10 or more years was necessary.

Condition
The subject appears to be in average condition when compared to the rest of the market. The exterior covering, interior finish, and other site improvements have been reasonably well cared for during the life of the structure. To determine condition adjustments I interviewed market participants Mike Falconite & Tom Waldrop. Based on their interview, a typical light industrial warehouse should budget between $2.50 and $3.50 per sf to upgrade items such as lighting, flooring, overhead doors, and docks.

Trifecta Real Estate Services
All factors or differences affecting value have been commented on within this analysis and adjusted for in the adjustment grid that follows. Any other differences between the subject and the selected comparable sales are considered to have minimal if any measurable effect on market value.

**Sales Comparison Approach Conclusion**

The adjusted values of the comparable properties range from $4.00 to $9.60. All of the value indications have been considered, and in the final analysis, comparables 1, 2 and 4, have been given most weight in arriving at my final reconciled per square foot value of $6.00.

<table>
<thead>
<tr>
<th>As Is Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Value per Square Foot:</td>
</tr>
<tr>
<td>Subject Size:</td>
</tr>
<tr>
<td>Indicated Value:</td>
</tr>
<tr>
<td>Rounded:</td>
</tr>
<tr>
<td><strong>Five Hundred Eighty Five Thousand Dollars</strong></td>
</tr>
</tbody>
</table>
**Income Approach**

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

**Direct Capitalization Analysis**

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject’s actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate ($R_o$).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

**Market Rent**

**Market Rent Comparables**

I have researched four comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.
### Comparable Industrial/Warehouse Rents

<table>
<thead>
<tr>
<th>#</th>
<th>Location</th>
<th>Comments</th>
<th>Square Footage</th>
<th>Annual Rent/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5400 Fort Campbell Boulevard</td>
<td>14-16’ eave height 3 stage construction</td>
<td>13,000</td>
<td>$2.88</td>
</tr>
<tr>
<td></td>
<td>Hopkinsville, KY</td>
<td>gross lease (exp $7,170)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>300 Cherokee Trace</td>
<td>Class C Bldg absolute net lease</td>
<td>14,812</td>
<td>$2.67</td>
</tr>
<tr>
<td></td>
<td>Hopkinsville, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1535 Island Ford Rd</td>
<td>16’ eave height Class S absolute net lease</td>
<td>10,372</td>
<td>$2.75</td>
</tr>
<tr>
<td></td>
<td>Madisonville, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>101 Main Street Paducah, KY</td>
<td>2 OHD – no offices</td>
<td>6,000</td>
<td>$4.35</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td>Triple Net terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>135 Main Street Paducah, KY</td>
<td>42% office area</td>
<td>6,000</td>
<td>$6.00</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td>Gross Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>105 Main Street Paducah, KY</td>
<td>20% office area</td>
<td>6,000</td>
<td>$3.75</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td>Triple Net Terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>115 Main Street Paducah, KY</td>
<td>20% office area</td>
<td>6,000</td>
<td>$3.75</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td>Triple Net Terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Chester Hack Dr. Paducah, KY</td>
<td>6.30% office / Class S Triple Net Terms</td>
<td>20,000</td>
<td>$3.75</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1100 H.C. Mathis Dr</td>
<td>16% office - 4 OHD</td>
<td>16,688</td>
<td>$3.88</td>
</tr>
<tr>
<td></td>
<td>Paducah, KY</td>
<td>Triple Net Terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>104 Max Hurt Drive Murray, KY</td>
<td>45% office</td>
<td>60,000</td>
<td>$4.02</td>
</tr>
<tr>
<td></td>
<td>Murray, KY</td>
<td>Net Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Max Hurt Drive Murray, KY</td>
<td>Increasing $.40 per sf ea yr for 1st 5 yr then $5.08 next 5</td>
<td>29,500</td>
<td>$3.05</td>
</tr>
<tr>
<td></td>
<td>Murray, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Highway 94 Murray, KY</td>
<td>Warehouse facility some special conditions apply (5 year term)</td>
<td>80,000</td>
<td>$3.00</td>
</tr>
<tr>
<td></td>
<td>Murray, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Highway 641 N Murray, KY</td>
<td>1998-2005 (7yr-term)</td>
<td>16,000</td>
<td>$8.00</td>
</tr>
<tr>
<td></td>
<td>Murray, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>2588 Grimes Avenue Owensboro, KY</td>
<td>24% office</td>
<td>49,600</td>
<td>$3.41</td>
</tr>
<tr>
<td></td>
<td>Owensboro, KY</td>
<td>Gross Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>23 Industrial Dr, Eddyville, KY</td>
<td>5/2006 thru 7/2013</td>
<td>248,870</td>
<td>$2.21 NNN</td>
</tr>
<tr>
<td></td>
<td>Eddyville, KY</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trifecta Real Estate Services
Comparable Industrial/Warehouse Rent Analysis

Rentals one through three are all considered to be properties of inferior age, quality, condition, and utility. These rentals would all require positive adjustments when being compared to the subject property.

Rentals four through seven are all located north of the subject property along Main Street another area in Paducah’s “Southside” that has seen significant industrial growth over the last 10 years. Comparable number five is noticeably higher than the other rents shown along Main and this is due to the percentage of office space, which was constructed by the property owner.

The eighth rental displayed in the prior grid is a property located just south and within site of the rental # 15. This class S property is similar to the subject in terms of location, design, quality of construction, finish, utility and appeal. The subject has slightly superior office space than this rental.

Rentals nine is also a Paducah property located in Paducah’s area of influence. These rentals act as additional support in analyzing the subject’s FM rent, however, these properties are also considered noticeably older than the subject property.

Comparables ten and eleven are industrial buildings north of Murray. These rentals are located in a popular industrial park on the north end of town that has seen significant growth in the last ten years. Comparable eleven has an appreciating lease, but a declining option to purchase, indicating the lease serves as a financing vehicle. These comparables are considered as good support for the FMR of the subject.

Comparable rental twelve is located on the eastern side of Murray along a heavily traveled thoroughfare. This is purely a warehousing property and is inferior to the subject in terms of quality. As a special condition of this lease the lessor is required to keep a forklift operator on site during specified hours of operation. The tenant pays a per pallet fee for the use of this operator but the lessor is responsible for pay of the operator. The actual rent for Saputo & Gondola would include the payment for the operator. Since these leases are month to month and we are not including the business component I only used a market rent for these spaces. In order to offset that lack of income I also did not consider the employment expense necessary to provide the pallet services.

Comparable thirteen is another Murray industrial property and this rental is located just west of comparables ten and eleven. Details concerning the level of interior finish of this property were unavailable; however, this rental serves as additional support in displaying the demand for such property in the western Kentucky market.

Comparable #14 displayed in the grid is a property located in Owensboro, KY, approximately 2 hours east of the subject. This property is considered similar to the subject in terms of design and appeal; however, the referenced rental agreement and the later referenced sale of this property were from an industrial developmental authority to the private sector. This information will be utilized only as support in analyzing the contractual rent of the subject.

The last rental is a leased “build to suit” in the Eddyville industrial park, over 248,000 sf of distribution space. The production portion of the comp is very similar, but the offices of the rent comp are quite fancy by local standards. Their actual affect on the FMR of the rent comp are uncertain, but otherwise, this rent comp will be heavily relied on in the

Trifecta Real Estate Services
final conclusion.

After examining the rents displayed in the grid as well as other market indications within the western Kentucky market area. After making the necessary adjustments due to the nature, location, condition, age and GBA of the subject, it appears that the subject rental rate range of $1.00-2.50 per square foot per year for the base space, $3/sf year for the office portion.

![Gross Income Chart]

### Vacancy and Collection Loss

An estimation of an appropriate vacancy and collection loss is important for the proper application of the income approach to value of the subject property. History of the subject property has been detailed in the previous sections of this report.

The estimation of vacancy and collection loss is very localized in nature and must be based on market evidence. Properties of this type typically experience long periods of occupancy followed by relatively long vacancy periods. Local property managers and city officials tend to over estimate the occupancy of the building when it is full and over estimate the vacancy when it is empty. In fact, the truth is probably somewhere more conservative than either of these opinions.

We have attempted to inventory the industrial market place within western KY. Of the estimated 4,000,000 sf of total market, we have identified close to 400,000 sf of vacant and available space, or 10% including the space represented by the subject. All except the shell space offered by the local ID agency is similar to the subject. Some of these older buildings have been vacant for several years. The actual vacancy estimate for the subject, due to its age, location, amenities, and attractive size, will be similar to the total market.
Based on the subject's historical vacancy, the appropriate vacancy would be more conservative than that which is indicated by the general market. The subject improvements are functional buildings with average office space. In my opinion, a vacancy rate of 10% is appropriate for the subject.

**Effective Gross Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Gross Income</td>
<td>$154,822</td>
</tr>
<tr>
<td>Less: Vacancy &amp; Collection Loss</td>
<td>10.00%</td>
</tr>
<tr>
<td>Add: Other Income</td>
<td>$0</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>$139,340</td>
</tr>
</tbody>
</table>

**Expenses Analysis and Projection**

In the owner's reconstructed net operating income statement, which is completed in the financial analysis that follows this discussion, the expenses are broken down into three categories; fixed, variables, and reserves. Each category of expense is self-explanatory; however, some mention at this point is appropriate.

Fixed expenses are those items such as taxes, insurance, management, and some maintenance items that do not vary directly with the occupancy of the building. These expenses would continue whether the building was occupied or vacant; therefore, their calculation as a fixed expense is appropriate. Most of these expenses are borne by the landlord per the lease agreement.

Expenses, which vary with the occupancy of the existing subject property, include some repair items, utilities when appropriate, etc. are classified as variable expenses. These expenses can be controlled by the occupancy of the building and therefore, are much more elastic within the income projection. Most of these variable expenses are assumed by the tenant in the comparable lease section of this report, as is the case of the existing subject. Even those specific expenses for the operation of the recruiting offices are calculated and passed through to the tenant each year.

The third and final category is the category of reserves for replacements, which has been thoroughly discussed in a prior section of this report. This is a very important method of annualizing large capital expenditures that are made on an infrequent basis.

Based on our inspection, the subject appears to be well maintained, and suffers from no items of deferred maintenance or required capital expenditures. There are no unfulfilled requirements of the lease or of local governmental authorities known to us.

Within this market, the lessor makes few if any tenant improvements for the tenant. If any are made, they are typically amortized into the rent over the term of the lease. However, a prudent landlord would expect some level of expense for repairs, reconditioning, clean up, and preparation for a new occupant. It appears that most professional landlords would expect these expenses to amount to approximately $.5/sf of GBA for each turnover. Since market evidence indicates that very few buildings of the subjects size and quality are built, little spec space exists, and re-location is expensive, the subject could expect such re-conditioning expenses to be infrequent, estimated to be every 10 years or so.

To be clear, it is uncommon in this market for TI expenses to be significant at any ordinary renewal of an existing lease, at any of the renewal terms that may exist as they were
negotiated at the lease inception. Landlord TI contributions are only found when new tenants occupy or when a current tenant re-negotiates at the end of all renewal term expirations.

**Net Operating Income**

- Effective Gross Income: $139,340
- Less: Less Expenses: $68,934
- Add: Expense Reimbursements: $0
- Net Operating Income: $70,406
### Cash Flow Profile

![Bar chart showing cash flow profile]

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Potential Gross Income</th>
<th>Effective Gross Income</th>
<th>Expenses</th>
<th>Exp. Reimbursements</th>
<th>NOI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$154,822</td>
<td>$139,340</td>
<td>$68,934</td>
<td>$0</td>
<td>$70,406</td>
</tr>
</tbody>
</table>

**Capitalization Rate**

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

\[
\text{NOI} \div \text{Sale Price} = \text{Capitalization Rate}
\]

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.
Market Extracted Rates
The table below details capitalization rates extracted from the market.

<table>
<thead>
<tr>
<th>Location</th>
<th>Use</th>
<th>Overall Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2211-2218 KY Ave, Paducah, KY</td>
<td>Retail</td>
<td>.11</td>
</tr>
<tr>
<td>5440 Reidland Road, Paducah, KY</td>
<td>Retail</td>
<td>.0965</td>
</tr>
<tr>
<td>4500 Clark’s River Road, Paducah, KY</td>
<td>Retail</td>
<td>.0921</td>
</tr>
<tr>
<td>106 Max Hurt Drive, Murray, KY</td>
<td>Industrial</td>
<td>.0943</td>
</tr>
<tr>
<td>1634 Broadway, Paducah, KY</td>
<td>Retail</td>
<td>.1081</td>
</tr>
<tr>
<td>12th St., (U.S.641 N), Murray, KY</td>
<td>Retail</td>
<td>.107</td>
</tr>
<tr>
<td>12th St., (U.S.641 N), Murray, KY</td>
<td>Retail</td>
<td>.1056</td>
</tr>
<tr>
<td>Joe Clifton Dr., Paducah, KY</td>
<td>Retail</td>
<td>.113</td>
</tr>
<tr>
<td>Park Avenue @ County Park, Paducah, KY</td>
<td>Office</td>
<td>.0856</td>
</tr>
<tr>
<td>Lone Oak Road, Paducah, KY</td>
<td>Retail</td>
<td>.1335</td>
</tr>
<tr>
<td>12th &amp; Olive Street, Murray, KY</td>
<td>Office/Service</td>
<td>.1074</td>
</tr>
<tr>
<td>3024 Lone Oak Road, Paducah, KY</td>
<td>Retail</td>
<td>.1022</td>
</tr>
<tr>
<td>216 Berger Road, Paducah, KY</td>
<td>Medical Office</td>
<td>.098</td>
</tr>
<tr>
<td>Berger Road, Paducah, KY</td>
<td>Medical Office</td>
<td>.119</td>
</tr>
</tbody>
</table>

Band of Investment
This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

\[
\text{Payments} \times 12 / \text{Original Loan Amount} = \text{Mortgage Constant (R_M)}
\]

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

\[
\text{After Debt Service Profit} / \text{Equity Investment} = \text{Equity Cap Rate (R_E)}
\]
Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

**Formula:**
\[
R_M \times M = \text{rate} \\
R_E \times (1-M) = \text{rate} \\
= \text{Cap Rate (R_o)}
\]

**Debt Coverage Ratio Analysis**

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

**Formula:**
\[
\text{Debt Coverage Ratio} \times \text{Loan to Value Ratio} \times \text{Mortgage Constant} = R_o \\
or: \quad DCR \times M \times R_M = R_o
\]

I have researched mortgage rates and terms typical for the subject within the market area. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.
<table>
<thead>
<tr>
<th>Capitalization Rate Variables</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Interest Rate</td>
<td>6.00%</td>
</tr>
<tr>
<td>Loan Term (Years)</td>
<td>15</td>
</tr>
<tr>
<td>Loan To Value Ratio</td>
<td>80.%</td>
</tr>
<tr>
<td>Debt Coverage Ratio</td>
<td>1.25</td>
</tr>
<tr>
<td>Equity Dividend Rate</td>
<td>12.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Band of Investment Analysis</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Constant</td>
<td>0.101262819</td>
</tr>
<tr>
<td>Loan Ratio</td>
<td>80.%</td>
</tr>
<tr>
<td>Contributions</td>
<td>8.10%</td>
</tr>
<tr>
<td>Equity Dividend Rate</td>
<td>12.00%</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>20.%</td>
</tr>
<tr>
<td>Contributions</td>
<td>2.40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Coverage Ratio Analysis</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Coverage Ratio</td>
<td>1.25</td>
</tr>
<tr>
<td>Loan to Value Ratio</td>
<td>0.8</td>
</tr>
<tr>
<td>Mortgage Constant</td>
<td>0.101262819</td>
</tr>
<tr>
<td>Contributions</td>
<td>10.13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National Economic Indicators</th>
</tr>
</thead>
</table>

The following grid lists national market indicators for four general investment property types. This information is published quarterly by The Appraisal Institute.

One of the reasons that leased industrial buildings and warehouse building investments remain strong is that investors seem to have a perception of increased risks in the market place and are putting a greater emphasis on current income. In fact, many investors will not invest in properties whose reversionary value in a discounted cash flow analysis is greater than 50% of the total property value. These conservative investment trends tend to emphasize the scarcity of investment grade properties. Since owners cannot find replacement properties of an equal quality, they will not sell the properties they currently own.

Many of the owners have been scared out of the market by the talk of capital gains legislation that would not apply to current purchases. It would appear that these two factors (the lack of good investment grade properties and increased perceived risks) would offset; however, the overall indication appears that there has been a slight increase in rates and a corresponding decrease in values.
The RealtyRates.com Investor Survey represents one of the most comprehensive data sets of investment activity compiled for the commercial real estate industry. While no information in this highly fragmented industry is perfect or all encompassing, RealtyRates.com has established rigid data collection and classification methodology including sourcing requirements and detailed procedures to ensure the integrity and timeliness of the information. RealtyRates.com has attempted to conform wherever possible to the proposed standards and definitions of the Data Consortium and the Appraisal Institute and any known deviations from those standards are noted.

The information and data maintained by RealtyRates.com and presented in the Investor Survey encompasses all markets nationally and includes only class A and B properties. It should be noted that there is substantial, albeit largely local, investment activity that involves properties that do not meet these criteria.

The RealtyRates.com Investor Survey is based on information provided by 312 commercial real estate appraisers (28%), brokers (19%) developers (8%), investors including REIT’s (8%), and lenders (37%), in all 50 states, many with regional and national coverage. Firms range from very small to very large but all have proven to be extremely reliable, and well they should as they rely on the survey data themselves.

Transactions include only leveraged asset sales as opposed to all cash or entity level transactions. Thus, merger and acquisition activity among entire REIT’s or other business entities is excluded from the analysis, as are controlling partial interests. Trend analysis generally excludes certain transactions that exceed 5% of the data sample.
The following tables summarize prevailing mortgage terms and resulting built-up overall capitalization rates (OAR's) via debt coverage ratio and mortgage equity techniques, together with OAR's from consummated transactions as reported by survey respondents based on actual net operating income (NOI) exclusive of reserves and actual sales price exclusive of deferred maintenance. These data are for Class A and B properties nationwide. Mortgage terms and equity dividend rates are likewise national rates as reported by survey respondents.

**RealtyRates.com Investor Survey**

**RealtyRates.com Investor Survey Reports Cap Rate Index Decreases For Most Property Types During 3rd Quarter 2017**

Coincident with an 11 basis point decrease in Treasury rates to which most commercial mortgage interest rates are indexed and a two basis point decline in equity dividend rates, the RealtyRates.comTM Investor Survey Weighted Composite (Cap Rate) IndexTM decreased five basis points, from 9.38 to 9.33 percent during the 3rd Quarter of 2017.

The greatest quarter-over-quarter cap rate index decrease was recorded by the Restaurant sector, down 23 basis points, followed by the Lodging sector, down eight basis points during the same period.

The smallest quarter-over-quarter cap rate index decrease was recorded by the Office sector, down three basis points, while the only increase was recorded by the Special purpose sector, up nine basis points during the 3rd Quarter. Mortgage lending standards were relatively unchanged during the 3rd Quarter while spreads moved up somewhat resulting in an average permanent mortgage interest rate increase of seven basis points.
The indicated decline in the Weighted Composite (Cap Rate) Index and most individual property sectors can in no way be construed as a sign of market recovery, as the cited decreases were more than offset by relatively larger declines in net operating income across virtually all markets and property types nationwide.

**Capitalization Rate Conclusion**

Based on the information provided in the previous grid, with most reliance placed on the national/regional survey information, the condition, construction, location and design of the subject, current financing and with support from the information shown above, I would estimate the appropriate capitalization rate by the market extraction technique to be 12.00%
Capitalization to Value

<table>
<thead>
<tr>
<th>Unit/Space Type</th>
<th>Income Method</th>
<th>Units/SF</th>
<th>Annual</th>
<th>% of PGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>$/SF/Year</td>
<td>28,650</td>
<td>$85,950</td>
<td>55.5%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>$/SF/Year</td>
<td>68,872</td>
<td>$68,872</td>
<td>44.5%</td>
</tr>
</tbody>
</table>

Potential Gross Income: $154,822 100.0%
Vacancy & Collection Loss: $15,482 10.0%
Other Income: $0

Effective Gross Income (EGI): $139,340 90.0%

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
<th>Method</th>
<th>Annual</th>
<th>$/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$12,500</td>
<td>$/Year</td>
<td>$12,500</td>
<td>$0.13</td>
</tr>
<tr>
<td>Insurance</td>
<td>$20,000</td>
<td>$/Year</td>
<td>$20,000</td>
<td>$0.21</td>
</tr>
<tr>
<td>Utilities</td>
<td>$2,500</td>
<td>$/Year</td>
<td>$2,500</td>
<td>$0.03</td>
</tr>
<tr>
<td>Repairs/Maintenance</td>
<td>$10,000</td>
<td>$/Year</td>
<td>$10,000</td>
<td>$0.10</td>
</tr>
<tr>
<td>Misc./Other</td>
<td>$10,000</td>
<td>$/Year</td>
<td>$10,000</td>
<td>$0.10</td>
</tr>
<tr>
<td>Management</td>
<td>5%</td>
<td>% of EGI</td>
<td>$6,967</td>
<td>$0.07</td>
</tr>
<tr>
<td>Reserves</td>
<td>5.0%</td>
<td>% of EGI</td>
<td>$6,967</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

Total Expenses: $68,934 0.71
Expense Ratio (Expenses/EGI): 49.47%
Expense Reimbursements: $0
Net Expense Ratio: 49.47%

Net Operating Income (NOI): $70,406 0.72
Capitalization Rate: 12.00%
Value (NOI/Cap Rate): $586,715 $6.02
Rounded: $585,000 $6.00

Direct Capitalization Analysis Conclusion

Based on the above analysis detailed above, as of August 8, 2018 I have reconciled to a direct capitalization approach value of:

$585,000

Five Hundred Eighty Five Thousand Dollars

Trifecta Real Estate Services
Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

**Value Indications**

<table>
<thead>
<tr>
<th>Approach</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Approach:</td>
<td>N/A</td>
</tr>
<tr>
<td>Sales Comparison Approach:</td>
<td>$585,000</td>
</tr>
<tr>
<td>Income Approach:</td>
<td></td>
</tr>
<tr>
<td>Direct Capitalization</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

An appraisal is done because a client has a question about real estate. To answer this question, an appraiser follows the valuation process. According to the process, he identifies, gathers, and analyzes general and property specific data; determines highest and best use; and applies the sales comparison, income capitalization, and/or cost approaches as warranted by the question and as pointed to by the available data. When more than one approach is used, each results in a separate, usually different, indication of value. Thus, if two or three approaches are used, an appraiser will have derived at least two or three value indications.

Resolution of the differences among the various value indications is called reconciliation. In short, reconciliation is the analysis of alternative conclusions to arrive at a final value estimate.

The reconciliation step in which an appraiser's professional experience, expertise, and judgment is exercised more than in any other part of the valuation process. The appraiser weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on that which is most appropriate to the appraisal's purpose. All the assignment's influences are brought into focus in relation to the client's question, which guides the appraiser's deliberation and reconciliation.

Although reconciliation necessarily involves judgment, the appraiser's judgment results from a careful, logical analysis of the procedures leading to each indication of value. The analysis is based on several criteria that enable an appraiser to perform a meaningful, defensible conclusion about the final value estimates. These criteria are appropriateness, accuracy, and the quantity of the evidence.

An appraiser uses that criterion of appropriateness to judge each approach's pertinence to the purpose and use of the appraisal. The appropriateness of an approach is usually most directly related to property type and market viability.

The accuracy of an appraisal is measured by an appraiser's confidence in the correctness of the date, of the calculations used in each approach, and of the adjustments to the sale price of each comparable property.

For example, are our cost data and estimates of accrued depreciation in the cost approach, as accurate as adjustments in the sales comparison, or as income, expenses, and capitalization rates in the income approach? For the specific reconciliation of this subject property, the order of priority of the approaches is, direct sales comparison approach, income

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approach, and cost approach.

Most importantly, the volume, reliability, and accuracy of the data used in the income capitalization section of this report was considered very good. The information available in the marketplace for appraisers to process into value indications is a good example of the market's reaction to various property types.

 Appropriateness and accuracy deal with quality—how relevant and correct the value indication produced by a comparable or an approach might be. Although such criteria are separate considerations in reconciliation, both must be considered in the relation to the quantity of evidence provided by a particular comparable or approach. Even when the data meets the criteria of appropriateness and accuracy, they can be weakened by a lack of sufficient evidence. In the case of the subject property, market transaction evidence particularly on a regional basis was abundant. Therefore, the direct sales comparison approach will be heavily relied upon.

I consider the quantity of the data relatively sound within the income approach method completed in this report. Because of the income data available in the marketplace for properties similar to the subject and the interest being valued is that of a fee simple interest, a high credence will be given to this approach.

The cost approach is based on the premise that no one would pay more for a subject than it would cost to reproduce those improvements assuming no undue delay. As has been previously discussed, it is not unusual for the cost approach to have an indicated value significantly higher than the other approaches because of the contribution of certain necessary fixtures. Due to the age of the subject and difficulty in measuring depreciation we have deemed this approach inappropriate.

The direct sales comparison approach will also be heavily relied upon approach due to the abundance of comparable sales.

Value Conclusion
Based on the data and analyses developed in this appraisal, I have reconciled to the following value conclusion(s), as of August 8, 2018, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value(s):   Premise: As Is
                      Interest: Fee Simple
                      Value Conclusion: $585,000
                      Five Hundred Eighty Five Thousand Dollars
I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions, and conclusions.
- I have not rendered services to this property in the past three years.
- I have no present or prospective interest in the property that is the subject or this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, ("USPAP"), adopted by the Appraisal Standards Board of the Appraisal Foundation
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- I certify that, to the best of my 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.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Dustin H. Hawkins has completed the Standards and Ethics Education Requirements for Candidates for Designation of the Appraisal Institute.
- The appraiser has disclosed within this appraisal report all steps taken that were necessary or appropriate to comply with the competency provision of the "USPAP".
- The acceptance of this appraisal assignment by the appraiser was not based on a requested minimum valuation, a specified valuation, or an approval of a loan.

Dustin Hawkins, CCIM
KY-4835

Trifecta Real Estate Services
November 1, 1990

MEMORANDUM

TO: Dr. Charles T. Wethington, Jr.
    President

FROM: John C. Darsie
      General Counsel

SUBJECT: Paducah Continuing Education Center – Pepsi – Crisp

On November 1 I spoke by telephone with Mr. John Rains, the Vice President for Finance with the Pepsi organization in Paducah. Mr. Rains seemed very knowledgeable regarding the proposed gift of the Pepsi Building to the University of Kentucky.

He explained that the property consisted of a multi-structure complex located in Paducah and said that it was the intent of the donor to make the gift in more than one stage because of tax problems.

Mr. Rains said the value of the building was approximately $4,000,000.00 and that title to it is held by a Subchapter S Corporation. Because of the value of the gift, the Subchapter S Corporation and its majority shareholder (presumably Mr. Harry Crisp) would be unable to take maximum advantage of the gift deduction only if the gift were staged over a period of four years. However, it is Mr. Rains' intention to have the documents relating to the transaction structured in such a way that the University is "comfortable" that it will get all of the facility by the end of the four years. I advised Mr. Rains that our property expert, Mr. R. Bruce Lankford, would be available to work with their people in appropriately structuring this transaction. I also explained that Mr. Lankford would need to examine the title to the property even though it is a gift.

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Mr. Rains advised that the company has engaged Mr. Joe Porter, Jr. of the St. Louis law firm of Suelthaus & Kaplan (phone number (314) 727-7676 FAX number (314) 727-7166). We agreed that Mr. Rains would ask Mr. Porter to FAX us a first draft of the proposed agreement relating to this gift and that we would go from there. He indicated that they would not want to make the first phase of the gift until sometime after January 1, 1991. Insofar as occupancy of the property is concerned, Mr. Rains expects that Pepsi's new facility will be ready in four to five months and they could vacate the present facility at that time. We will keep you advised of further developments.

JCD: 1h:1955

cc: Mr. R. Bruce Lankford
Office of the President  
December 9, 1997

Members, Board of Trustees:

AUTHORIZATION TO TRANSFER OWNERSHIP OF THE HARRY L. CRISP HIGHER EDUCATION CENTER TO MURRAY STATE UNIVERSITY

Recommendation: that the Vice President for Fiscal Affairs be authorized and directed to enter into a twenty (20) year lease/purchase agreement with Murray State University for the transfer of ownership of the Harry L. Crisp Higher Education Center located at Bethel Street and Irvin Cobb Drive, Paducah, Kentucky.

Background: The Harry L. Crisp Higher Education Center (formerly known as the Marion Pepsi-Cola Bottling Company property) was conveyed to the Commonwealth of Kentucky, for the use and benefit of the University of Kentucky, on December 16, 1993, by Marion Pepsi-Cola Bottling Company, Inc., a Missouri Corporation, as a gift to further its corporate purposes in promoting the general welfare of the University. The University of Kentucky Board of Trustees accepted this gift on January 25, 1994, to provide much needed space for Paducah Community College and to house University of Kentucky activities in Paducah. The property is to be used for educational purposes only.

Consensus has been reached by Murray State University and the University of Kentucky regarding the development of a lease/purchase agreement to transfer ownership of this property by January 1, 1998.

The lease/purchase agreement will be based on an appraised value of $2.2 million to be paid to the University of Kentucky beginning on January 1, 1998, in annual installments amortized over twenty (20) years with interest on the balance to be based on the interest rate for state bonds as of June 17, 1996. These funds are to be utilized for debt service on $2.2 million in bonds to be sold to construct a new educational facility on the Paducah Community College campus.

Action taken: [ ] Approved   [ ] Disapproved   [ ] Other
LEASE WITH OPTION TO PURCHASE

THIS LEASE WITH OPTION TO PURCHASE, made this ___ day of __________, 19___, by and between the UNIVERSITY OF KENTUCKY, by Dr. Charles T. Wethington, Jr., President, Lexington, Kentucky 40506, herein referred to as the “Lessor” and MURRAY STATE UNIVERSITY, by Dr. Kern Alexander, President, Murray, Kentucky 42071, herein referred to as the “Lessee”.

WITNESSETH:

WHEREAS, pursuant to House Bill 379, Part IX, 1996 Regular Session, the Council on Postsecondary Education is to coordinate the transfer of ownership of the Crisp Building, real property located in McCracken County, Kentucky; and,

WHEREAS, a consensus has been reached between the presidents of Murray State University and the University of Kentucky to transfer ownership of the Crisp Building by lease/purchase agreement; and,

WHEREAS, the Council on Postsecondary Education has requested that the Secretary of the Finance and Administration Cabinet establish the fair market value of the Crisp Building; and,

WHEREAS, the Secretary of the Finance and Administration Cabinet, pursuant to the authority conferred upon him by Chapters 45A and 56, Kentucky Revised Statutes, has determined that, consistent with the public interest, the property, hereinafter more particularly described, should be conveyed by execution of this lease/purchase agreement for the fair market value of $2,200,000.00.

NOW, THEREFORE, the Lessor and Lessee mutually agree as follows: that the Lessor hereby leases unto the Lessee a certain tract of land located at 300 Irvin Cobb Drive, Paducah, McCracken County, Kentucky, and being more particularly described as follows:
Parcel No. 1 — Commencing at the point of intersection of the northerly right-of-way line of Irvin Cobb Drive and the easterly right-of-way line of Bethel Street; thence along said easterly right-of-way line of Bethel Street, 30 feet from and parallel to the center line thereof, N. 34°-18'-38" E., 628.25 feet to a ¼" rebar located at the northwest corner of tract no. 3 of the Tyler Park Urban Renewal Project (Ky. R-15) as shown by a plat of said tract recorded in plat book “G”, page 342 in the McCracken county Court Clerk’s office; thence along the northerly line of said tract no. 3, S. 65°-41'-00" E., 404.98 feet to a ¼" rebar located at the northeast corner of said tract no. 3, and said ¼" rebar being the true point of beginning of the property herein described; thence along the easterly line of said tract no. 3, S. 16°-43'-10" W., 115.40 feet to a ¼" rebar; thence on a new line, N. 55°-41'-00" W., 86.39 feet to a ¼" rebar; thence on a new line, N. 34°-19'-00" E., 110.00 feet to a ¼" rebar located on the northerly line of said tract no. 3; thence S. 55°-41'-00" E., 51.50 feet to the point of beginning, containing 7,984 square feet or 0.174 acre.

Parcel No. 2 — Beginning where the easterly right-of-way line of Bethel Street intersects the northerly right-of-way line of Irvin Cobb Drive, said rights-of-way lines being located 30 feet and 42.75 feet, respectively, from and parallel with the center lines of the aforesaid street and drive, said beginning point also being the southwesterly corner of tract no. 21 of the Tyler Park Urban Renewal Project (Ky. R-15) as shown by plat of record in plat section “G”, page 134 of the McCracken county Court Clerk’s office; thence N. 34°-18'-38" E., along and with the easterly right-of-way line of said Bethel Street, 30 feet east of the center line thereof, 398.25 feet to the northwesterly corner of said tract no. 21, the same being the southwesterly corner of tract no. 3 of said Urban Renewal Project; said tract no. 3 being shown by plat of record in plat section “G”, page 342 of the aforesaid Clerk’s office; thence continuing along and with said easterly right-of-way line, N. 34°-18'-38" E., a distance of 230.00 feet to a ¼" steel rod found at the northwesterly corner of said tract no. 3, the same being the southwesterly corner of tract no. 2 of the aforesaid Urban Renewal Project; thence S. 55°-41'-00" E., along and with the southerly line of the aforesaid tract no. 2, a distance of 353.38 feet to a ¼" steel rod situated at the northwesterly corner of parcel no. 1 as shown by plat of record in plat section “J”, page 1483 of the aforesaid Clerk’s office; thence S. 34°-19'-00" W., along and with the westerly line of said parcel no. 1, a distance of 110.00 feet to a ¼" steel rod at the southerwesterly corner thereof; thence S. 55°-41'-00" E., along and with the southerly line of said parcel no. 1, a distance of 86.39 feet to a ¼" street rod at the southeasterly corner of said parcel on the easterly line of the aforesaid tract no. 3; thence S. 16°-43'-10" W., along said easterly line, 125.59 feet to a ¼" steel rod located at the southeasterly corner of said tract no. 3 or the northeasterly corner of said tract no. 22 as shown by the aforesaid plat of record in plat section “G”, page 134, said steel rod being located S. 55°-41'-00" E., a distance of 27.80 feet from a 4" x 4" concrete monument found at the northwesterly corner of the aforesaid tract no. 22 or the northeasterly corner of the aforesaid tract no. 21; thence S. 16°-43'-10" W., continuing along and with the easterly line of the aforesaid tract no. 22, a distance of 418.83 feet to the northerly right-of-way line of the aforesaid Irvin Cobb Drive at the southeasterly corner of said tract no. 22; thence N. 55°-06'-40" W., along and with said right-of-way line 104.99 feet; thence N. 55°-41'-00" W., continuing with said northerly right-of-way line 50.30 feet to the southwest corner of the aforesaid tract no. 22 or the southeasterly corner of the aforesaid tract no. 21; thence continuing along and with said right-of-way line and the southerly line of said tract no. 21, N. 55°-41'-00" W., a distance of 450.00 feet to the point and place of beginning, containing 309,403 square feet or 7.102 acres.

Also, a 20 foot wide easement for ingress and egress, 10 feet on either side of center line, with the center line of said easement more particularly described as follows: beginning at a point located on the northerly right-of-way line of Irvin Cobb Drive and located S. 55°-41'-00" E., 306.55 feet from the intersection of the northerly right-of-way line of Irvin Cobb Drive and the easterly right-of-way line of Bethel Street; thence N. 34°-27'-00" E., 336.98 feet; thence N. 53°-07'-05" E., 102.62 feet; thence N. 34°-19'-00" E., 82.12 feet to a point located N. 55°-41'-00" W., 10.00 feet from the southwest corner of the above described parcel no. 1; thence continuing on the same line, 10 feet from and parallel to the westerly line of said parcel no. 1, N. 34°-19'-00" E., 70.00 feet to the end of this easement, with the easement containing a total area of 11,875 square feet or 0.273 acre.
Bearings on the above descriptions are based upon bearings shown on plat of Tyler Park Urban Renewal Project (KY. R-15).

Both parcels being the same property as shown on a plat filed in plat book "J", page 1483 in the office of the McCracken County Court Clerk.

Being a portion of the same property conveyed to Grantor by deed dated February 2, 1981, and recorded in Deed Book 635, Page 18, in the said Clerk's office.

And being the same property conveyed to the COMMONWEALTH OF KENTUCKY, for the use and benefit of the UNIVERSITY OF KENTUCKY, by deed from MARION PEPSI-COLA BOTTLING COMPANY, INC., a Missouri corporation, dated December 16, 1993, and of record in Deed Book 803, Page 562, in the McCracken County Clerk's Office, McCracken County, Kentucky.

IT IS AGREED AND UNDERSTOOD that the conveyance of the above described property is subject to all existing easements, of record or in use.

II.

TO HAVE AND TO HOLD the described property unto the Lessee with all appurtenances pertaining thereto in quiet and peaceful possession for the term beginning January 1, 1998, and ending June 30, 1998, with the right and option to renew said Lease for the period of one (1) year for each of the nineteen (19) succeeding years thereafter.

III.

In consideration of the Lease on July 1, 1998, the Lessee agrees and binds itself to pay the Lessor the sum of $124,390.36 for the initial term as set forth in the attached amortization schedule and in the event that the Lessee decides to exercise its option to renew the Lease, the yearly rental payments will be payable annually each succeeding year, per the amortization schedule attached and appended to this Agreement. The annual payment shall be made on May 1 of each year of the Lease, commencing May 1, 1999. In the event the Lessee declines to exercise its option to purchase the property, all previous payments made to the Lessor herein, under the terms and conditions of this instrument, shall be forfeited to the Lessor.

IV.

At the expiration of the Lease term, providing that the Lessor and the Lessee have fulfilled their obligations contained herein, the Lessor shall convey to the Lessee a good, marketable, fee simple title to the premises, free and clear of all liens, encumbrances and restrictions except as provided herein.
The Lessee, with the approval of the Governor of the Commonwealth, shall have the right and option to purchase from the Lessor the described property at any time during the continuance of the Lease or any extension thereof for the sum of the unpaid principle. The Lessor agrees that all rental payments previously paid shall be applied to the purchase price set forth.

V.

Lessee shall have authority to make improvements to the premises without prior approval of the Lessor, and such improvements shall become the property of the Lessor in the event of a default on the Lease payments as provided above, but otherwise to remain as permanent improvements to the premises to become the property of the Lessee upon conveyance of the premises.

VI.

During the Lease term hereof, the Lessee shall have sole and complete authority and responsibility for management of the premises.

VII.

Lessee shall be solely responsible for, and bear the costs of any and all repairs and maintenance of the leased premises during the Lease term hereof, maintaining same in as good condition when received, ordinary wear and tear incident to its use for its purposes, natural decay, damage by the elements and acts of God excepted, subject to the provisions of paragraph three (3) of this Section.

Lessee shall, during the Lease term hereof, be solely responsible for, and bear the costs of any and all utility charges for gas, electric, heat, water, sewer, telephone, cable and other utilities used or supplied to the premises.

Lessee shall, during the lease term hereof, keep the premises, including all buildings, structures, and improvements thereon, insured against loss or damage by fire, lightning or windstorm for the full insurable value thereof, with Lessor and Lessee as named insureds; further, Lessee shall be solely responsible for insuring its own contents and other personally brought upon the leased premises. In the event of any casualty insured against, the insurance proceeds shall be devoted by the parties to the restoration, as soon as possible, of the damaged property. If there are surplus insurance proceeds, or if all of the parties hereto shall agree not to restore the damaged property, Lessee’s recovery of such proceeds with respect to the building shall be equivalent to the proceeds payable, multiplied by a fraction, the denominator of which is 19 and the numerator of which is a number representing the number of years Lessee has occupied the premises under this Lease.
Lessee may assign and/or sublet the premises without approval of the Lessor, but during any such assignment and/or subletting, Lessee shall remain liable as principal obligor on this Lease; further, any such assignment and/or subletting shall be made subject to the terms, conditions and provisions set forth in this Lease.

Lessee agrees that Lessor shall have the right at any and all reasonable times to enter upon and inspect the premises to ascertain that Lessee is carrying out the terms, conditions and provisions of this Lease.

Lessor represents and warrants to Lessee that, to the best of its knowledge and belief, there is no hazardous or toxic waste or material located on the leased premises.

It is understood and agreed that, during the term of this Lease, Lessee shall be solely responsible and liable for any and all damage or injury either to persons or property (including but not limited to damage or injury caused by fire, water, steam, gas, snow, ice, frost, sewage, electrical current or by the breaking, leaking or obstructing of pipes), occurring on the leased premises, that result from the negligence of Lessee, except that Lessee shall not be responsible and liable for such damage or injury caused by any intentional or negligent acts attributable to Lessor; and further, any and all claims for such damage or injury to persons or property shall be subject to the provisions of Chapter 44 (Board of Claims) of the Kentucky Revised Statutes.

Lessor hereby covenants and agrees with Lessee that if Lessee shall perform all of the terms, conditions and provisions of this Lease, Lessee shall have peaceable and quiet enjoyment and possession of the premises without any hindrance whatsoever from Lessor.

Lessor and Lessee warrant that each has obtained all necessary approvals and authorizations for this Lease With Option To Purchase Agreement from their respective institutions.

Any term, condition or provision contained herein to the contrary notwithstanding, that certain AGREEMENT IN PRINCIPLE CONCERNING LESSEE'S LEASE-PURCHASE OF THE CRISP CENTER AND CONSTRUCTION OF A PRIVATELY-FUNDED NEW INSTRUCTIONAL FACILITY ON THE PCC CAMPUS is attached hereto, incorporated herein, and made a part hereof by reference as Exhibit C.

This Lease contains the entire agreement between Lessor and Lessee and shall not be altered or amended except by a writing signed by both Lessor and Lessee.
The terms, conditions and provisions of this Lease shall inure to and be binding upon Lessor and Lessee, their respective successors and assigns.

If at any time during the Lease the Lessee fails to comply with any of the material terms and conditions set forth in the Lease, the Lessor shall give the Lessee thirty (30) days written notice. The Lessee shall correct any deficiencies within the thirty (30) day period. If the Lessee fails to correct the deficiencies within the specified period, then this Lease shall thereupon terminate and all rights, options and benefits herein conferred shall be forfeited and the Lessee shall quietly surrender possession of the property to the Lessor.

IN WITNESSETH WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

UNIVERSITY OF KENTUCKY:

By: ____________________________
    Dr. Charles T. Wethington, Jr., President

COMMONWEALTH OF KENTUCKY
RECOMMENDED:

Attorney, Finance and Administration Cabinet

By: ____________________________
    John P. McCarty, Secretary
    Finance and Administration Cabinet

RECOMMENDED:

By: ____________________________
    Dr. Kern Alexander, President
    Murray State University

APPROVED:

PAUL E. PATTON, GOVERNOR
COMMONWEALTH OF KENTUCKY

EXAMINED:

Counsel to the Governor
Qualifications for Dustin H. Hawkins, CCIM
Certified General Real Property Appraiser
Trifecta Real Estate Services
Real Estate Appraisers and Consultants
935 Paris Road, P. O. Box 447
Mayfield, KY 42066
Phone: 270-247-2734/Fax: 270-247-0352

EDUCATION

- Graves Co. High School—2006
- Murray State University---2010
  - Real Estate Principles
  - Real Estate Law I
  - Real Estate Law II
  - Real Estate Marketing
  - Brokerage Management

APPRaisal EDUCATION

- General Report Writing-Appraisal Institute
- General Appraiser Income Approach
- Site Valuation & Cost Approach
- Sales Comparison Approach
- General Market Analysis and Highest & Best Use
- Advanced Income Capitalization-Appraisal Institute
- Advanced Market Analysis & Highest & Best Use- Appraisal Institute
- Advanced Concepts & Case Studies-Appraisal Institute
- Quantitative Analysis- Appraisal Institute

PROFESSIONAL EXPERIENCE

- Kentucky Certified General Real Property Appraiser
- License# 4835
- Tennessee Certified General Real Property Appraiser #5236
- Appraiser with Trifecta Real Estate since 2009
- Kentucky Real Estate Commission Real Estate Agent since 2009
- License# 71533
- KREC licensed broker since 2011
- Trifecta Real Estate Services Principal Broker since 2012
• Candidate for Designation, Appraisal Institute
• CCIM Institute Member

PARTIAL LIST OF CLIENTS SERVED

Commercial & Residential Appraisal Services
• Heritage Bank
• Jackson Purchase Ag Credit
• Community Financial Services Bank
• Countrywide Home Loans
• Global Mortgage Link
• First Kentucky Bank
• First Horizon
• Integra Bank
• FNB Bank
• Century 21 Bank
• Independence Bank
• Wells Fargo
• BB&T

Litigation Support, Acquisitions, & Real Estate Development

• City of Mayfield
• Murray State University
• McCracken Co Judge Executive
• Boswell, Sims, and Vasseur
• Neely, Brien, Wilson, & Tooms, PLLC
Glossary
This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the Works Cited section below for more information.

Works Cited:

Band of Investment
A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area
1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)
1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
   - CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
   - CAM can refer to all operating expenses.
   - CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.
2. The amount of money charged to tenants for their shares of maintaining a center’s common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical area to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow

**Debt Coverage Ratio (DCR)**
The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

**Discount Rate**
A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

**Effective Age**
The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

**Effective Date**
1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

**Exposure Time**
1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

**External Obsolescence**
An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

**Extraordinary Assumption**
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

**Fee Simple Estate**
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. (Dictionary, 5th Edition)

**Functional Obsolescence**
The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

**Functional Utility**
The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout,
traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 13th Edition)

**Gross Building Area (GBA)**
Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. (Dictionary, 5th Edition)

**Gross Leasable Area (GLA)**
Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

**Highest & Best Use**
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

**Highest and Best Use of Property as Improved**
The use that should be made of a property as it exists. An existing improvement should be renovated or retained as long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

**Hypothetical Condition**
That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

**Leased Fee Interest**
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

**Market Area**
The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

**Market Rent**
The most probably rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant
improvements (TIs). (Dictionary, 5th Edition)

Market Value
The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.
1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
   - Identification of the specific property rights to be appraised.
   - Statement of the effective date of the value opinion.
   - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
   - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
   - Buyer and seller are typically motivated;
   - Both parties are well informed or well advised, and acting in what they consider their best interests;
   - A reasonable time is allowed for exposure in the open market;
   - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
   - The price represents the normal consideration for the property sold unaffected by special or creative
financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)

5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Net Operating Income (NOI)**

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

**Obsolescence**

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

**Parking Ratio**

A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

**Rentable Area**

For office buildings, the tenant’s pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based;
calculated according to local practice. (Dictionary, 5th Edition)

**Replacement Cost**
The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised.

**Scope of Work**
The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

**Stabilized Occupancy**
An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

**Tenant Improvements (TIs)**
1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

**Vacancy and Collection Loss**
A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)