FCR 12

Office of the President
June 30, 2026

Members, Board of Trustees:

APPROVAL TO ACQUIRE 716 WEST MAIN STREET,
MOREHEAD, KENTUCKY/CONFLICT OF INTEREST

Recommendation: that the Board of Trustees approve an exception to Kentucky Revised Statutes (KRS) §164.131(7), pursuant to KRS §164.367, and authorize the Executive Vice President for Finance and Administration to acquire real property and improvements located at 716 West Main Street, Morehead, Kentucky for the use and benefit of UK St. Claire Healthcare (UKSC).

Background: The University of Kentucky (UK) and the sellers, Verity Holdings LLC, have held intermittent discussions regarding the purchase of the property located at 716 West Main Street, Morehead, Kentucky which includes approximately 3,740 square feet of clinical space on .721 acres of land. This property is located a half mile from the UKSC Regional Medical Center and provides clinical space for pediatric services. There are no other alternative parcels in the immediate vicinity that would serve the same purpose without requiring a greater investment of funds to locate other properties and prepare the land for the intended use. Purchasing the property for the appraised value is in the best interest of the University, UKSC and the Commonwealth.

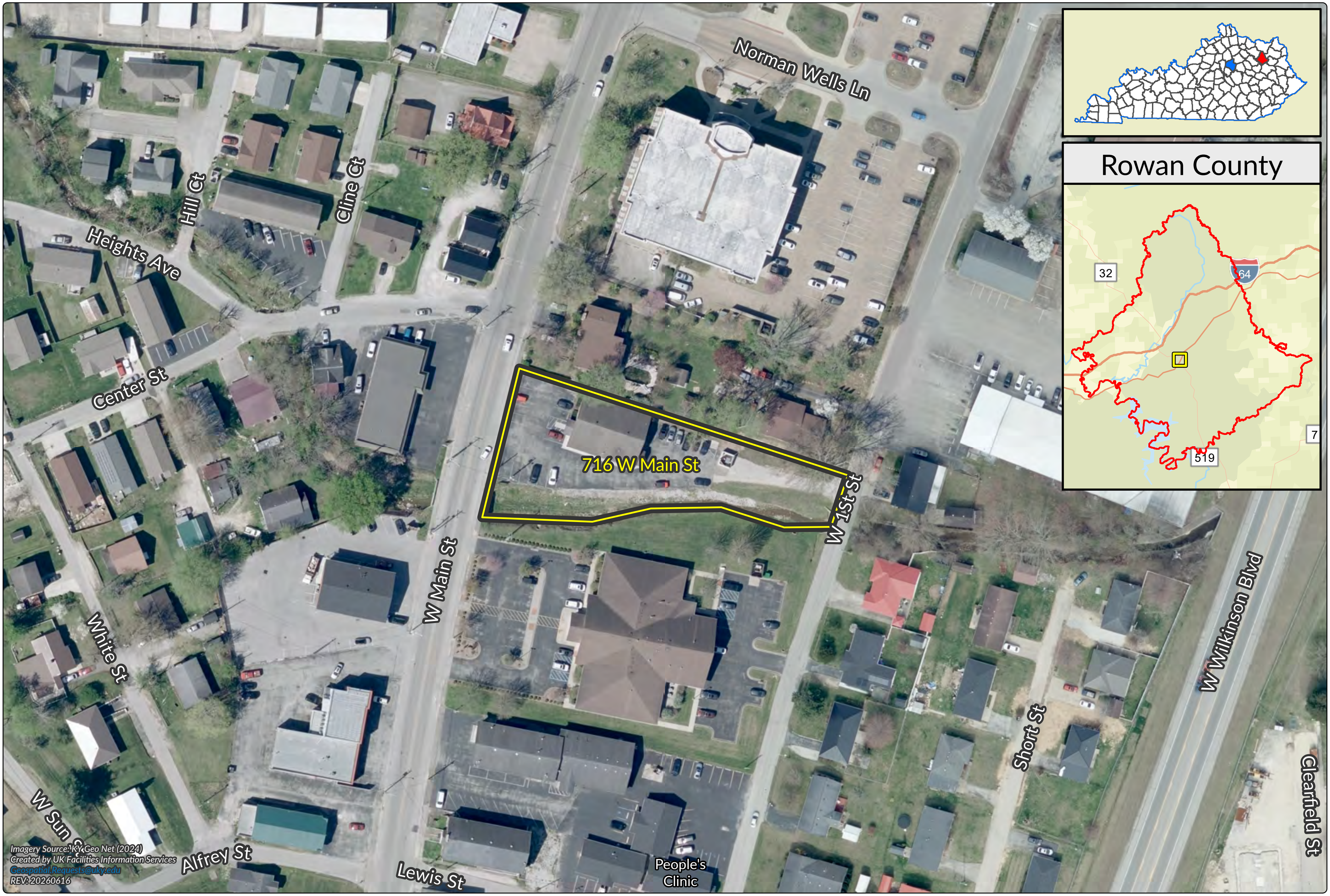
UKSC engaged an appraisal reviewer qualified by the Commonwealth of Kentucky and appearing on the pre-approved appraiser list. This appraiser rendered an opinion that the fair market value of the parcel is $820,000. The total consideration for the acquisition will not exceed $820,000 plus customary due diligence and the costs of appraisals, land surveys, closing fees, and other capitalized costs of acquisition. While the consideration amount is less than that requiring Board of Trustee approval, the current owner of 50% of the property is Travis Bailey, an UKSC administrator, thus raising a potential conflict of interest under KRS §164.131(7) and UK/UKKD policies. The administrator did not take part in any conversation with UK during the negotiation process or during internal conversations about the property.

KRS §164.131(7) prohibits an employee from having an interest in a contract with the University, unless approved by the Board as permitted in KRS §164.367. The recommendation to approve the purchase as an exception to KRS §164.131(7) is based on a finding that the purchase is in the best interest of the University, UKSC and the Commonwealth, and the employee's interest in the property was fully disclosed.

The potential purchase and conflict were reported at the June 15 meeting of the Claire Blue Health Executive Committee. That Committee agreed to recommend a waiver of the conflict and approval of the purchase to the UK Board of Trustees. This proposed purchase was also reviewed by the University's General Counsel and Chief Accountability Officer and Audit Executive, both of whom recommend waiver of conflict and approval of the purchase.

KRS §164A.575 states that upon the approval of the secretary of the Finance and Administration Cabinet, the governing board may purchase or otherwise acquire all real property determined to be needed for the institution's use. Pending Board and Cabinet approval, the University will finalize negotiations and enter into all agreements necessary to complete acquisition.

Action taken: ☑ Approved ☐ Disapproved ☐ Other ____________________



University of Kentucky

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