

FCR 6

Office of the President
September 12, 2025

Members, Board of Trustees:

APPROVAL TO ACQUIRE 2600 CARTER AVENUE, ASHLAND, KY - 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 permit the Executive Vice President for Finance and Administration to take all steps necessary to acquire real property and improvements located at 2600 Carter Avenue, Ashland, Kentucky for the use and benefit of UK King's Daughters (UKKD).

Background: As part of its strategic planning initiatives, UKKD conducted an assessment of what properties near UKKD's Ashland location are available for purchase to further expand available parking near UKKD's newly constructed main entrance. UK and UKKD officials identified the property located at 2600 Carter Avenue, Ashland, KY which includes approximately 1 acre of land and improvements. This property is adjacent to the 500 25th Street property in Ashland, Kentucky that UK has also requested approval to purchase. Together, the two parcels will provide much needed parking for UKKD employees and patients, and both are in the best interest of the University and the Commonwealth.

Once UKKD identified the 2600 Carter Avenue property, UKKD undertook efforts to identify the property owner, and learned that the owner was F. Squared Investments, LLC. Due diligence efforts revealed F. Squared Investments, LLC was formed and managed by Richard F. Ford, M.D. and J. Brian Frederick, M.D., both of whom are employed by King's Daughters Medical Specialties, Inc., a wholly owned subsidiary of UKKD, thus raising a potential conflict of interest under KRS 164.131(7) and UK/UKKD policies.

UKKD engaged an appraiser qualified by the Commonwealth of Kentucky and appearing on the pre-approved appraiser list maintained by the Kentucky Department of Transportation. This appraiser rendered an opinion that the fair market value of the parcel was \$225,000. However, the property owner has accepted an offer of \$175,000, less than the appraised value, contingent upon approval by the Royal Blue Health, LLC Board of Governors, the University of Kentucky Board of Trustees and the Finance and Administration Cabinet.

The potential purchase and conflict were reported at the August 7, 2025, meeting of the Board of Governors meeting for Royal Blue Health, LLC, at which the Board of Governors 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.

The total consideration for the property acquisition will not exceed \$175,000 plus customary due diligence and the costs of appraisals, land surveys, closing fees and other capitalized costs of acquisition. This is less than the purchase amount typically requiring Board of Trustees approval but is being presented to the Board of Trustees due to the conflict.

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, UKKD and the Commonwealth, and the employees' interest in the property was fully disclosed. The property is the only one of its size located in the immediate vicinity of existing or other soon-to-be purchased UKKD property. The proximity to UKKD's main campus will provide ready access to UKKD services for the community it serves. There are no other alternative parcels in the immediate vicinity that would serve the same purpose without requiring a greater investment of funds to raze existing structures and prepare the land for the intended use. The property purchase for less than the appraised value thus provides the best value for the University and UKKD.

Kentucky Revised Statute §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 _____



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