

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON PURCHASE)	CASE NO.
ENERGY CORPORATION FOR APPROVAL UNDER)	2020-00339
KRS 278.218 TO TRANSFER OWNERSHIP OF EXISTING)	
HEADQUARTERS FACILITY)	

VERIFIED APPLICATION

Comes Jackson Purchase Energy Corporation (“JPEC”), and for its verified application pursuant to KRS 278.218, respectfully requests approval from the Kentucky Public Service Commission (“Commission”) to transfer ownership of its existing headquarters facility and property located at 2900 Irvin Cobb Drive, Paducah, McCracken County, Kentucky (“Existing Headquarters”) to a third-party purchaser. In support of its request JPEC states and avers as follows:

1. JPEC is a non-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. It provides retail electric service to approximately 30,000 members in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken. JPEC is one of three Member Owners of Big Rivers Electric Corporation.
2. In Case Number 2019-00326, *In the Matter of: Electronic Application of Jackson Purchase Energy Corporation for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility*, JPEC requested and received Commission approval for the purchase and construction of a new headquarters campus located at 6526 U.S. Highway 60, Paducah, McCracken County, Kentucky.¹

¹ Case No. 2019-00326, Order, January 14, 2020.

3. The Commission determined, pursuant to KRS 278.218, that because the Existing Headquarters has an original book value of one million dollars (\$1,000,000) or more², and that neither of the statutory exemptions apply, JPEC is required to submit an application for transfer of ownership when it intends to sell the Existing Headquarters to a third-party purchaser.³
4. On or about October 13, 2020, JPEC entered into a Real Estate Purchase Agreement (“Agreement”) for the sale of the Existing Headquarters to a third-party purchaser for the sum of [REDACTED] (“Purchase Price”).⁴ Among others, the agreement has a condition that before a closing can occur the Commission must approve the transaction.
5. The agreed upon purchase price contained in the Agreement was based on a its fair market value as determined by a commercial appraisal prepared on February 20, 2019, by Russell M. Sloan, Sloan Appraisal & Realty Services, Paducah, Kentucky. The appraised value of the Existing Headquarters is [REDACTED].⁵
6. As found by the Commission, the Existing Headquarters is not obsolete but is outdated for JPEC’s purposes necessitating the construction of a new headquarters campus.⁶ Moreover, the agreed upon sale price for the Existing Headquarters is consistent with its fair market value as determined by appraisal. Therefore, since JPEC only needs one headquarters facility and the Existing Headquarters is being sold at its reasonable fair

² *Id.* at 11-12. The original cost for the existing headquarters was \$1,050,928.62 and it was placed into service on June 30, 1974.

³ *Id.* at 11-13; 14, ordering paragraph 10.

⁴ A copy of the Real Estate Purchase Agreement is attached hereto as Exhibit 1.

⁵ A copy of the commercial appraisal is attached hereto as Exhibit 2.

⁶ *Case No. 2019-00326*, Order, January 14, 2020 at 12.

market value, JPEC requests the Commission find the transaction is for a proper purpose and consistent with the public interest pursuant to KRS 278.218(2).

WHEREFORE, Applicant, Jackson Purchase Energy Corporation, respectfully requests the Commission act as follows:

1. Make a specific finding that the transaction which is the subject of this Verified Application is for a proper purpose and is consistent with the public interest.
2. Enter an Order approving JPEC's sale of the Existing Headquarters under the terms and conditions set forth in this Verified Application and related documents.
3. Enter all other due and proper relief to which it may appear JPEC is entitled.

This 22nd day of October, 2020.

Respectfully submitted,



Mark David Goss
David S. Samford
L. Allyson Honaker
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Counsel for Jackson Purchase Energy Corporation

REAL ESTATE PURCHASE AGREEMENT

THIS AGREEMENT made and executed on this 10th day of October, 2020, between **JACKSON PURCHASE ENERGY CORPORATION**, a Kentucky corporation, hereinafter referred to as "JPEC," and **MURTCO, INC.**, a Kentucky corporation, hereinafter referred to as "Purchaser."

WITNESSETH:

WHEREAS, JPEC is the fee owner of 18.93 acre tract of real property, and the buildings, structures and other improvements that are constructed thereon, having the address of 2900 Irvin Cobb Drive, Paducah, Kentucky; and

WHEREAS, Purchaser has offered to acquire that property, and all of the office furnishings that are currently located thereon, in accordance with the terms in this Agreement; and

WHEREAS, JPEC has accepted Purchaser's offer, subject to approval by the Public Service Commission for the Commonwealth of Kentucky, and has agreed to proceed with the sale of that property as provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, and for other valuable consideration, the legal adequacy and sufficiency of which is hereby acknowledged by all parties hereto, the parties do hereby covenant and agree as follows:

1. Sale of Real Property. JPEC covenants and agrees to sell and convey to Purchaser, and Purchaser covenants and agrees to purchase and receive from JPEC, the 18.93 acre tract having the address of 2900 Irvin Cobb Drive, Paducah, Kentucky, including all of the buildings, structures, and other improvements that are constructed thereon, and any office furnishings that JPEC may surrender to Purchaser at time of closing (hereinafter collectively the "Property"). The term "office furnishings" shall include desks, chairs, tables, filing cabinets,



refrigerators, microwaves and other like property. A depiction of the tract of real property is provided in Appendix "A" to this Agreement.

2. **Purchase Price.** The purchase price for the Property to be sold and transferred hereunder shall be [REDACTED]. Purchaser shall tender to JPEC an earnest money deposit of \$10,000 as provided in Section 3 of this Agreement, and maintain a separate segregated account having a balance of not less than [REDACTED], all of which shall be used to fund the payment of the purchase price hereunder. The purchase price shall be paid to JPEC in cash or cash equivalent at time of closing.

3. **Earnest Money.** Purchaser has tendered to JPEC a ten thousand dollar (\$10,000) earnest money deposit on this transaction, the receipt of which JPEC acknowledges. The disposition of the earnest money proceeds shall be governed by the following provisions:

- (a) In the event the sale transaction under this Agreement is consummated by the parties, the earnest money proceeds shall be credited to the purchase price that is to be paid by Purchaser at time of closing.
- (b) In the event Purchaser defaults in consummating the sale transaction, JPEC shall retain the earnest money proceeds in full settlement of Purchaser's liability under this Agreement.
- (c) In the event JPEC defaults in consummating the sale transaction, or JPEC fails to close by reason of the failure of any condition as defined under Section 8 of this Agreement, and Purchaser elects to terminate this Agreement, JPEC shall remit the earnest money proceeds back to Purchaser.

4. **Representations and Warranties.** Purchaser's obligation to purchase the Property under this Agreement is predicated on the representations and warranties that are made by JPEC under this Section, all of which representations and warranties shall survive closing. JPEC expressly acknowledges that the Purchaser is relying upon these representations and warranties in executing this Agreement, and in consummating the sale transaction under this Agreement. The representations and warranties made by JPEC under this Agreement are as follows:

- (a) JPEC has good and merchantable title to the Property, free of all liens, encumbrances and adverse claims, excepting (i) restrictions imposed by any planning and zoning commission, (ii) any environmental contamination of the property as may be determined by an EPA inspection or other appropriate governmental entity that may have jurisdiction over said property for the purposes of environmental and hazardous waste cleanup; and easements of record, and (iii) all restrictions as to the use and improvements of the property of record.
- (b) JPEC has the full and absolute right and authority to execute this Agreement, and to consummate the sale transaction hereunder subject only to the approval of the Public Service Commission for the Commonwealth of Kentucky;
- (c) The execution and delivery of this Agreement, and the consummation of the sale transaction defined hereunder, have been duly approved and authorized as provided in JPEC's articles and bylaws.
- (d) JPEC will petition the Public Service Commission for the Commonwealth of Kentucky for approval, which is required for the consummation of the sale made hereunder. In the event that the PCS does not approve this sale, then this Real Estate Purchase Agreement shall be deemed void and the earnest money deposited by Murtco, Inc., will be refunded in full by JPEC to Murtco.
- (e) There are no outstanding purchase contracts, leases, options or other agreements of any kind that would accord to any third party the right to use, occupy or acquire the Property, or any interest therein.

5. **Disclaimer.** JPEC expressly disclaims all other warranties with respect to the Property, including warranties of fitness, condition and operability. Purchaser understands and agrees that the sale made hereunder shall be "AS IS," subject to all existing defects and deficiencies.

6. **Inspection by Purchaser.** Between the date of this Agreement and the closing date, Purchaser, through its authorized representatives, shall have reasonable access to and upon the Property to examine, inspect, and test the Property as Purchaser may reasonably determine. Purchaser shall exercise its inspection rights upon reasonable notice and in a manner that does not interfere with JPEC's on-going operations on the Property. Purchaser shall restore and/or repair any damage or disturbance to the Property that is brought about by Purchaser's inspection of the Property, at Purchaser's sole cost.

7. **Title Examination - Survey.** Purchaser shall have the right to obtain a title examination and survey of the Property. In the event the examination and/or survey should reveal any defect or deficiency in JPEC's title to the Property, or any encroachment or other matter that adversely affects the ownership or use of the Property, Purchaser shall provide JPEC written notice of such defect or deficiency. Upon receipt of such notice, JPEC shall be accorded a period of sixty (60) days within which to cure the noted defect or deficiency.

8. **Preservation of Property.** JPEC shall maintain and preserve the Property in the same condition as existed on the Effective Date, and shall repair, restore or replace the Property in accordance with JPEC's current policies, standards and requirements that are currently in effect.

9. **Personal Property.** The parties anticipate that certain personal property owned by JPEC and located on the real estate on and/or in the real estate being conveyed may be left by JPEC at the time it vacates the property. Any such property, if left by JPEC, shall be deemed to be abandoned and shall be the property of the Purchaser. If, between the date of this Agreement and either closing of the real estate transaction or vacating the premises by the Purchaser, certain personal property has been agreed to, remain and become the property of the Purchaser, then an addendum to this Real Estate Purchase Agreement may be entered into and shall be binding upon the parties if signed by both of them.

10. **Conditions of Purchaser's Obligations.** The obligation of Purchaser to consummate the sale transaction under this Agreement is subject to the satisfaction of or compliance with each of the following conditions precedents on date of closing:

- (a) JPEC shall have complied with and otherwise satisfied all of JPEC's representations and warranties made herein, and all matters that are represented and warranted are true, complete and accurate at time of closing.
- (b) Purchaser has discovered no material defects or deficiencies in the Property, or in any system that services the Property, or in any improvement or structure located on the Property, which would substantially impair Purchaser's intended use of the Property.

- (c) All of the buildings and improvements, including the HVAC, plumbing, and electrical systems that are a part thereof, are in substantially the same condition and state of operability as existed on the Effective Date, less wear and tear.
- (d) Purchaser has procured a written loan commitment from a lender which enables Purchaser to fund the sale price to be paid hereunder.
- (e) JPEC shall have tendered to Purchaser at time of closing a duly executed general warranty deed and bill of sale conveying the Property to Purchaser.

In the event of the failure of any one of the conditions, the Purchaser shall have the right, at Purchaser's option, to terminate this Agreement upon written notice to the JPEC, and receive back the earnest money that was paid; provided, however, that in the event Purchaser elects to terminate this Agreement on the grounds as defined in (a) through (d) under this Section, Purchaser shall provide JPEC with written notice of the grounds for termination, and shall thereafter accord JPEC a period of sixty (60) days within which to cure any noted defect or deficiency. In such event, JPEC shall have the right, at its sole option, to cure the noted defect or deficiency within the cure period, and require Purchaser to close the sale transaction hereunder.

11. **Closing.** The closing of the sale transaction under this Agreement shall be deferred until May 1, 2021, to enable JPEC to relocate its general offices and operations to another site. Closing shall take place at the law offices of Keuler, Kelly, Hutchins, Blankenship & Sigler, LLP, in Paducah, Kentucky. At time of closing, JPEC shall deliver to Purchaser a duly executed general warranty deed vesting in Purchaser good and merchantable title to the Property. Simultaneous therewith, Purchaser shall pay to JPEC the purchase price to be paid hereunder.

12. **Closing Costs - Property Taxes.** JPEC shall assume and pay the cost of the deed and the applicable transfer tax. Purchaser shall assume and pay all other closing costs, including inspection and appraisal fees, loan charges, processing costs, and filing fees. All real estate taxes that were assessed against the Property shall be prorated between Purchaser and JPEC as of the date of closing.

13. **Transfer of Title--Risk of Loss.** JPEC shall have the risk of the Property until time of closing. The Purchaser shall assume the risk of the Property immediately following the consummation of closing. In the event any part of the Property shall be destroyed or damaged prior to closing, JPEC shall restore that Property to the same or better condition that existed on the Effective Date.

14. **Indemnity.** JPEC shall indemnify Purchaser and hold Purchaser harmless from any claim, demand, or cause of action asserted against Purchaser by reason of the failure of any representation or warranty made by JPEC herein, and from any and all loss, cost, and expenses incurred by Purchaser by reason of such failure, which indemnity shall include Purchaser's reasonable attorney's fees. It is agreed that this indemnity shall survive the closing of this transaction, and shall continue in full legal force and effect following closing.

15. **Purchaser's Default.** In the event Purchaser fails or is otherwise unable to purchase the Property for reason other than JPEC's default, JPEC's sole and exclusive remedy against Purchaser shall be the retention of the earnest money paid by Purchaser hereunder.

16. **JPEC's Default.** In the event JPEC fails or is otherwise unable to sell and deliver the Property to Purchaser at time of closing, or in the event JPEC fails to satisfy or comply with JPEC's representations, warranties, obligations, and duties assumed or made hereunder, Purchaser shall have the right, at its option, to exercise any of the following rights and remedies:

- (a) Purchaser shall have the right to require JPEC to specifically perform under this Agreement, and in such event, shall have the right to cure and remedy JPEC's failure to perform, and deduct the costs and expenses of the cure and remedy from the purchase price; or
- (b) Purchaser shall have the right to terminate this Agreement, and receive back the earnest money paid hereunder.

17. **Miscellaneous Provisions.** The following provisions shall be deemed a part of this Agreement, and shall be fully binding upon the parties:

(a) **Merger Clause.** It is agreed and understood that this Agreement represents the entire and exclusive agreement between the parties with respect to the subject matter of this Agreement, and that all prior representations, covenants, warranties, understandings and agreements are merged herein. No supplement, modification, waiver or termination of this Agreement shall be binding upon the parties unless duly executed in writing by each party.

(b) **Notices.** Any notice, document or other communications required or permitted hereunder shall be in writing, and delivered to the other party and their representative by personal delivery, certified mail, or fax transmission as follows:

JPEC:

Attention: Greg Grissom
2900 Irvin Cobb Dr.
Paducah, Ky 42001

With a copy to:

Attention: Richard Walter
Boehl, Stopher & Graves
410 Broadway Street
Paducah, Kentucky 42001

Purchaser:

Attention: Keith Murt
815 Abell Street
Paducah, Kentucky 42001

With a copy to:

Attention: Thomas J. Keuler
Keuler, Kelly, Hutchins, Blankenship & Sigler, LLP
100 S. 4th Street, Suite 400
Paducah, Kentucky 42001

(c) **Waivers.** No delay or failure of any party in exercising any right or remedy hereunder, and no partial exercise of any such right or remedy, shall be deemed to

constitute a waiver of such right or remedy or any other rights or remedies of such party hereunder. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any consent by a party to or any waiver by a party of any breach of any provision of this Agreement shall not constitute consent to or waiver of any subsequent, further or other breach of the provisions of this Agreement.

- (d) **Disputes.** This Agreement shall be governed in accordance with the laws of the Commonwealth of Kentucky. Should any dispute arise between the parties, the parties shall submit the dispute for administered mediation. The situs of the mediation shall be in Paducah, Kentucky, and shall be mediated by an experienced local mediator selected by the parties. In the event the parties are unable to resolve the dispute through mediation, any unresolved dispute shall be brought exclusively in a state court located in McCracken County, Kentucky. By execution of the Agreement, each of the parties consent to the exclusive jurisdiction of such courts, and waive their right to challenge jurisdiction or venue in such courts. **Each party also waives their right to trial by jury.** In the event a dispute must be resolved through litigation, the prevailing party shall be entitled to recover the costs and expenses of the dispute from the other party, including its reasonable attorney fees.
- (e) **Assignments.** Purchaser shall have the right to assign this Agreement, and all of its rights, interests and obligations hereunder, without the consent of JPEC, provided that Purchaser remains fully liable to JPEC for the performance of the obligations and undertakings that Purchaser has assumed under this Agreement. All other assignments shall be subject to JPEC's prior consent and approval.

- (f) **Successors in Interest.** This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns

- (d) **Execution in Counterparts.** This Agreement may be executed by the parties hereto in separate counterparts or duplicates, each of which when so executed and delivered shall be an original.

- (e) **Effective Date.** The effective date of this Agreement shall be the date upon which this Agreement was fully executed..

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written, which date shall be the effective date of this Agreement.

SELLER:

JACKSON PURCHASE ENERGY CORPORATION

By: 

Title: President

PURCHASER:

MURTCO, INC.

By: 

Title: Vice President

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

The foregoing instrument was acknowledged before me on this 13th day of October, 2020, by Greg Grissom, as President / CEO (title) of Jackson Purchase Energy Corporation.

My commission expires July 7, 2021.


NOTARY PUBLIC

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

The foregoing instrument was acknowledged before me on this 13th day of October, 2020, by Keith Murt, Jr. as vice-president of Murco, Inc.

My commission expires 6/25/21.

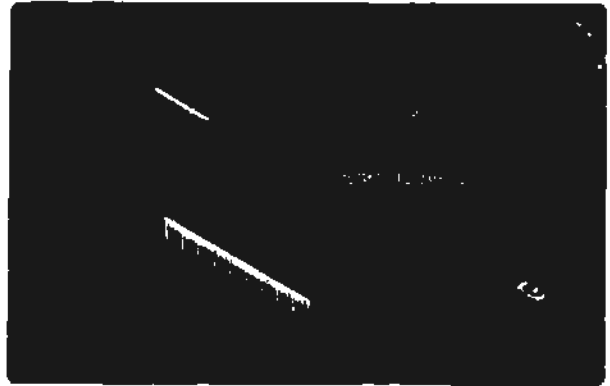

NOTARY PUBLIC, STATE AT LARGE

APPENDIX "A"

Summary

Parcel Number 120-00-00-001
 Account Number 210195
 Location Address 2900 IRVIN COBB DRIVE
 Description 6-6-B 18.93 AC IRVIN COBB DR
 (Note: Not to be used on legal documents)
 Class Franchise
 Tax District 08-Paducah Independent School
 2019 Rate Per Hundred 1.50787

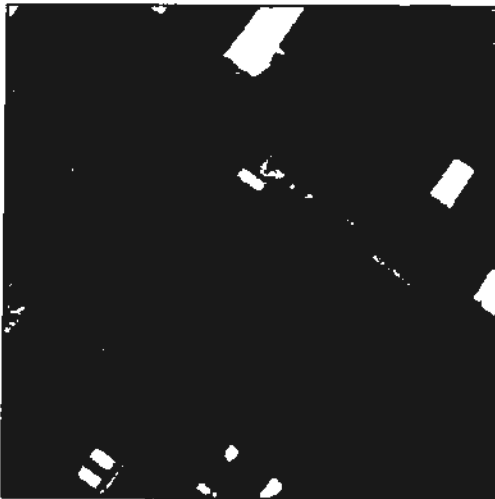
[View Map](#)



Historical Plat



Map



Owner

JACKSON PURCHASE RURAL ELECTRIC CORPORATION
 , KY

Value Information

	2021 Tax Roll Value	2020 Certified Value
+ Land Value	\$1,425,000	\$1,425,000
+ Improvement Value	\$335,000	\$335,000
= Total Taxable Value	\$1,760,000	\$1,760,000
- Exemption Value	\$0	\$0
= Net Taxable Value	\$1,760,000	\$1,760,000

Exemption

Homestead: No

Homestead: No

[Tax Estimator](#)

Land Information

Condition	None	Topography	Not Used
Plat Book/Page		Drainage	None
Subdivision		Flood Hazard	
Lot		Zoning	Residential
Block		Electric	No
Acres	18.93	Water	No
Front	0	Gas	No
Depth	0	Sewer	No
Lot Size	0x0	Road	
Lot Sq Ft	824590	Sidewalks	No
Shape	None	Information Source	

Improvements

Building Number	1	Kitchens	0
Description	Jackson Purchase Electric HQ	Dining Rooms	0
Residence Type	None	Living Rooms	0
Comm Type	Offices Office, Low-Rise	Family Rooms	0
Mobile Home Type		Bedrooms	0
Year Built	0	Full Baths	0
Effective Age	0	Half Baths	0
Ave. Wall Height	0	Other Rooms	0
Structure	1 Story	Total Rooms	0
Number of Stories	1	Living/Office/Manuf Sq Ft	19,000/0/0
Exterior	None	Fireplaces/Water	0 / N
Foundation	None	Supplemental Heat	None
Construction Type	None	Mobile Home Model	
Construction Quality	Average/Standard	Mobile Home Manufacturer	
Building Condition	Good/Average	MH Skirt Foundation	
Roof Type	RY-Flat	Heat	N
Roof Cover	RF-Rubber	Heat Source	None
Roof Pitch	RP-Flat	Heat Type	None
Basement Type	BT-None	Air Conditioning	N
Basement Finish	None	AC/Type	None
Basement Size	BS-None	Special Improvements	Y
Basement Sq Ft	0	Fire Alarm	N
Garage/Carport		Sprinklers	N
Garage Size		Porch/Deck	
Garage Type		Porch Sq Ft	0
Garage Exterior		Deck Sq Ft	0
Width	0	Concrete Sq Ft	0
Length	0	Farm Bldg Type	
Garage Sq Ft	0	Value	\$250,000.00
Pool		Driveway	None
Pool Size	0	Fence	0
Tennis Courts			

Building Number	2	Kitchens	0
Description	Garage	Dining Rooms	0
Residence Type	None	Living Rooms	0
Comm Type		Family Rooms	0
Mobile Home Type		Bedrooms	0
Year Built	0	Full Baths	0
Effective Age	0	Half Baths	0
Ave. Wall Height	0	Other Rooms	0
Structure	None	Total Rooms	0
Number of Stories	1	Living Sq Ft	0
Exterior	None	Fireplaces/Water	0 / N
Foundation	None	Supplemental Heat	None
Construction Type	None	Mobile Home Model	
Construction Quality	Average/Standard	Mobile Home Manufacturer	
Building Condition	Good/Average	MH Skirt Foundation	
Roof Type	RY-Flat	Heat	N
Roof Cover	RF-Other	Heat Source	None
Roof Pitch	RP-Flat	Heat Type	None
Basement Type	BT-None	Air Conditioning	N
Basement Finish	None	AC/Type	None
Basement Size	BS-None	Special Improvements	Y
Basement Sq Ft	0	Fire Alarm	N
Garage/Carport	Garage	Sprinklers	N
Garage Size	3+ Car	Porch/Deck	
Garage Type	Detached Garage	Porch Sq Ft	0
Garage Exterior	None	Deck Sq Ft	0
Width	0	Concrete Sq Ft	0
Length	0	Farm Bldg Type	
Garage Sq Ft	0	Value	\$35,000.00
Pool		Driveway	None
Pool Size	0	Fence	0

Tennis Courts

Building Number	3	Kitchens	0
Description	Garage	Dining Rooms	0
Residence Type	None	Living Rooms	0
Comm Type		Family Rooms	0
Mobile Home Type		Bedrooms	0
Year Built	0	Full Baths	0
Effective Age	0	Half Baths	0
Ave. Wall Height	0	Other Rooms	0
Structure	None	Total Rooms	0
Number of Stories	0	Living Sq Ft	0
Exterior	None	Fireplaces/Water	0 / N
Foundation	None	Supplemental Heat	None
Construction Type	None	Mobile Home Model	
Construction Quality	Average/Standard	Mobile Home Manufacturer	
Building Condition	Good/Average	MH Skirt Foundation	
Roof Type	RY-Flat	Heat	N
Roof Cover	RF-Other	Heat Source	None
Roof Pitch	RP-Flat	Heat Type	None
Basement Type	BT-None	Air Conditioning	N
Basement Finish	None	AC/Type	None
Basement Size	BS-None	Special Improvements	Y
Basement Sq Ft	0	Fire Alarm	N
Garage/Carport	Garage	Sprinklers	N
Garage Size	3+ Car	Porch/Deck	
Garage Type	Detached Garage	Porch Sq Ft	0
Garage Exterior	None	Deck Sq Ft	0
Width	0	Concrete Sq Ft	0
Length	0	Farm Bldg Type	
Garage Sq Ft	0	Value	\$35,000.00
Pool		Driveway	None
Pool Size	0	Fence	0
Tennis Courts			

Building Number	4	Kitchens	0
Description	Shelter	Dining Rooms	0
Residence Type	None	Living Rooms	0
Comm Type		Family Rooms	0
Mobile Home Type		Bedrooms	0
Year Built	0	Full Baths	0
Effective Age	0	Half Baths	0
Ave. Wall Height	0	Other Rooms	0
Structure	None	Total Rooms	0
Number of Stories	0	Living Sq Ft	0
Exterior	None	Fireplaces/Water	0 / N
Foundation	None	Supplemental Heat	None
Construction Type	None	Mobile Home Model	
Construction Quality	Average/Standard	Mobile Home Manufacturer	
Building Condition	Good/Average	MH Skirt Foundation	
Roof Type	RY-Gable	Heat	N
Roof Cover	RF-Metal	Heat Source	None
Roof Pitch	RP-Low	Heat Type	None
Basement Type	BT-None	Air Conditioning	N
Basement Finish	None	AC/Type	None
Basement Size	BS-None	Special Improvements	Y
Basement Sq Ft	0	Fire Alarm	N
Garage/Carport		Sprinklers	N
Garage Size	3+ Car	Porch/Deck	
Garage Type	None	Porch Sq Ft	0
Garage Exterior	None	Deck Sq Ft	0
Width	0	Concrete Sq Ft	0
Length	0	Farm Bldg Type	
Garage Sq Ft	0	Value	\$15,000.00
Pool		Driveway	None
Pool Size	0	Fence	0
Tennis Courts			

Sales Information

Sale Date	Sale Price	Deed Book	Deed Page	Grantee	Grantor	Sale Type
9/13/2019	\$0	503	114	JACKSON PURCHASE RURAL ELECTRIC CORPORATION	JACKSON PURCHASE RURAL ELECTRIC CORPORATION	Other (S)

Recent Sales

Sale date range:

From:

9/14/2018

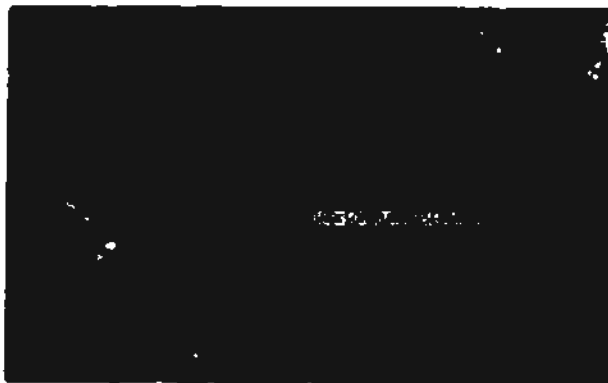
To:

9/14/2020

1500

Feet

Photos





No data available for the following modules: Property Record Card, Sketches.

The McCracken County Assessor's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation.
[User Privacy Policy](#)
[GDPR Privacy Notice](#)

[Last Data Upload: 9/12/2020, 2:06:57 PM](#)

[Version 2.3.84](#)

Developed by
 Schneider
GEO SPATIAL

**APPRAISAL OF PROPERTY OF
JACKSON PURCHASE ENERGY CORPORATION,
LOCATED AT
2900 IRVIN COBB DRIVE,
PADUCAH, KENTUCKY 42003**

Effective Date of Appraisal

February 20, 2019

Prepared By

Russell M. Sloan, MAI

Sloan Appraisal & Realty Services

2218 Kentucky Avenue
Paducah, Kentucky 42003



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STATEMENT OF QUALIFICATIONS OF APPRAISER: RUSSELL M. SLOAN, MAI**EDUCATION**

MBA, Murray State University
 BS In Business Administration, Murray State University

SPECIALIZED EDUCATION

American Institute of Real Estate Appraisers Course 1A-1, Atlanta, GA
 American Institute of Real Estate Appraisers Exam 1A-2, Norman, OK
 American Institute of Real Estate Appraisers Course 1B-A, Chapel Hill, NC
 American Institute of Real Estate Appraisers Course 1B-B, Bloomington, IN
 American Institute of Real Estate Appraisers Course 2-1, Nashville, TN
 American Institute of Real Estate Appraisers Course 2-2, Nashville, TN
 American Institute of Real Estate Appraisers Course 2-3, Gatlinburg, TN
 Valuation of Conservation Easements, Appraisal Institute, Nashville, TN
 MAP Appraisals and Marketability Studies, HUD, Louisville, KY
 Numerous seminars through the Appraisal Institute

PROFESSIONAL AFFILIATIONS, LICENSES, & CERTIFICATIONS

MAI, Member Appraisal Institute, Kentucky State Certified General Real Estate Appraiser, Certificate #000335, Illinois State Certified General Real Estate Appraiser, License #553001372, Missouri State Certified General Real Estate Appraiser, Certificate #RA002466, Tennessee State Certified General Real Estate Appraiser, Certificate #CG-1246, Certified Fee Appraiser, Indiana State Certified General Real Estate Appraiser, License #CG40200146, Real Estate Broker, Kentucky Real Estate Commission, Member: Paducah Board of Realtors, Kentucky Association of Realtors & National Association of Realtors. President of My Old Kentucky Home Chapter of the Appraisal Institute, 1999. Member of Kentucky Real Estate Appraisers Board, 2003-2007, Chairman, 2006-2007.

APPRAISAL EXPERIENCE

Thousands of appraisals of single-family & multi-family residential, commercial, industrial, agricultural, waterfront, and special purpose properties in Kentucky, Tennessee, Missouri, Illinois, Indiana and Ohio.

APPRAISALS FOR CLIENTS INCLUDING:

Regions Bank	United States General Services Administration
U.S. Bank	Commonwealth of Kentucky
Paducah Bank & Trust Company	United States Department of the Interior
Old National Bank, Indianapolis, IN	Kentucky Housing Corporation
Fifth Third Bank	United States Department of Housing & Urban Development
JP Morgan Chase Bank, NA	FDIC
Branch Banking & Trust Company	Paducah-McCracken County Riverport Authority
Banterra Bank	McCracken County Fiscal Court
Peoples National Bank	City of Paducah, Kentucky
Independence Bank	City of Fulton, Kentucky
FNB Bank, Mayfield, KY	City of Hickman, Kentucky
PNC Bank, N.A.	Purchase Area Development District
PGP Valuation	Ballard County Economic & Industrial Development Board
BSB Bank & Trust Company, Binghamton, NY	USDA Rural Development
First Tennessee Bank, Nashville, TN	GE Capital Realty Group, Inc.
Commerce Bank, Charleston, West Virginia	RER Solutions, Inc.
TriStar Bank, Dickson, TN	Colliers International
Community Financial Services Bank, Benton, KY	Phillips Development, Little Rock, AR
First Kentucky Bank, Mayfield, KY	Wabuck Development
Gallatin County State Bank, Ridgway, IL	Plotkin & Company, Chicago, IL
First National Bank of Harrisburg, IL	American Commercial Barge Lines
Farmer's Bank of Princeton, Princeton, KY	Marquette Transportation, Inc.
National State Bank of Metropolis, Metropolis, IL	Southern Pacific Real Estate
Citizens State Bank, Bardwell, KY	Vulcan Materials Company
Farmers Bank of Marion, Marion, KY	Baptist Hospitals, Inc.
First National Bank of Clinton, Clinton, KY	Livingston Hospital & Health Services, Inc.
First State Community Bank, Sikeston, MO	Lourdes Hospital
Southwest Bank of St. Louis, St. Louis, MO	Paxton Media Group, Inc.
PBI Bank, Bowling Green, KY	The Nature Conservancy
BMO Harris Bank	Farris, McIntosh & Tremper, Inc.
Jackson Purchase Agricultural Credit Association	Kemper CPA Group, LLC
Paducah Federal Credit Union	Whitlow, Roberts, Houston, & Straub, attys.
Murray State University	McMurry & Livingston, attys.
McCracken County Board of Education	James A. Harris, atty.
Marshall County Board of Education	Denton & Keuler, attys.

COURT EXPERIENCE

Testimony as expert witness in various Circuit Courts

TEACHING EXPERIENCE

Instructor, Real Estate Appraisal, Paducah Community College, Fall, 1998

SUMMARY OF SALIENT DATA AND CONCLUSIONS

Address of Subject: 2900 Irvin Cobb Drive, Paducah, Kentucky 42003

Effective Date of Appraisal: February 20, 2019

Purpose of Appraisal: Estimate Market Value

Function of Appraisal: Decision Making and Asset Allocation

Financing Premise: Generally Available Local Terms Equivalent to Cash

Property Owner(s): Jackson Purchase Energy Corporation

Property Rights Appraised: Fee Simple

Tax Assessment: \$0 (Tax Exempt Owner)

Zoning: M-1, Light Industrial

Highest and Best Use of Site If Vacant: Industrial Development

Highest and Best Use of Property as Improved: Office

Furniture, Fixtures and Equipment (FF&E): \$0

Cost Approach: Not Developed, See Discussion

Sales Comparison Approach: [REDACTED]

Income Capitalization Approach: Not Developed, See Discussion

Final Estimate of Value: [REDACTED]

DEFINITION OF MARKET VALUE

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the 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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed, or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in cash, in U.S. dollars, or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[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]

REASONABLE MARKETING TIME AND EXPOSURE TIME

Marketing time is 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. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement of Appraisal Standards No. 6 "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 140.

Exposure time is 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.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Uniform Standards of Professional Appraisal Practice 2018-2019 ed. (The Appraisal Foundation, 2017), 4.

Estimating these two time periods requires analysis of data from the variety of sources. Sales, offerings, options, and transactions involving properties having similar marketability characteristics are considered. Information from multiple listing services, Realtors, lenders, owners and investors and the PricewaterhouseCoopers Real Estate Investor Survey has been considered. All data is considered in relation to current national, regional and local economic and development trends. Recognizing the current state of the local market, the marketing period and the exposure time for the subject are identical in this instance. Considering these factors, both the estimated marketing time and the estimated exposure time for the subject are up to one year.


CERTIFICATION

The undersigned does hereby certify that, to the best of my knowledge and belief and except as otherwise noted in this report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or the parties involved with the assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. The employment of the appraiser was not conditioned upon the appraisal producing a specific value or within a given value range.
7. 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 Standards of Professional Appraisal Practice of the Appraisal Institute.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant real property appraisal assistance to the person signing this report, except as otherwise explicitly noted in this report.
11. I have made a personal inspection of the property that is the subject of this report.
12. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
13. As of the date of this report, I, Russell M. Sloan, have completed the continuing education program of the Appraisal Institute.

In my opinion, the market value of the subject property under financing conditions generally available in the local market and equivalent to cash, on February 20, 2019, was

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Date: March 1, 2019 Appraiser:
Kentucky State Certified General Real Estate Appraiser, #00335, Illinois State Certified General Real Estate Appraiser, #553001372, Missouri State Certified General Real Estate Appraiser, #RA002466, Tennessee State Certified General Real Estate Appraiser, #CG-1246, Indiana State Certified General Real Estate Appraiser, #CG40200146

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. The Appraiser assumes no responsibility for the legal description or matters of a legal nature affecting the property appraised or the title thereto, nor does he render any opinion as to the title, which is assumed to be good and marketable.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. Information, estimates and opinions furnished to the Appraiser and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished to the Appraiser can be assumed by the Appraiser.
5. The sketch in this report is included to assist the reader in visualizing the property, and the Appraiser assumes no responsibility for their accuracy. The Appraiser has made no survey of the property. It is assumed that the utilization of the land & improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise noted.
6. The distribution of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations between land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
7. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, code violations, or the presence of subsidence, asbestos, UFFI, Radon gas, underground storage tanks, or toxic materials which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering that might be required to discover such factors.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. The Appraiser is not required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have previously been made.
11. Disclosure by the Appraiser of the contents of this appraisal report is subject to review in accordance with the bylaws and regulations of the Appraisal Institute and Appraisal Foundation.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have 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 one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
13. The physical elements of the property were viewed to determine their impact on value in the decision-making processes of the market. This viewing should not be construed as a structural inspection. Such an inspection is outside the area of expertise of the appraiser and beyond the scope of this appraisal. The appraiser is not an expert in the field of building inspection and/or engineering. Except as otherwise noted in this report, the value estimate is predicated on the assumption that there are no structural defects in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering or architectural knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

SCOPE OF THE APPRAISAL AND COMPETENCY OF THE APPRAISER

This appraisal has been prepared in order to determine the market value of the property, as defined on page five of this report, for the client, Jackson Purchase Energy Corporation, which is the intended user, for use in decision making and asset allocation, with this being the intended use of this appraisal. This appraisal is developed subject to no extraordinary assumptions or hypothetical conditions.

The analysis in this appraisal includes the development of the appraiser's opinion of the highest and best use of the property. This appraisal is developed based on three approaches to value: the cost approach, the sales comparison approach, and the income capitalization approach. The use of all three approaches is pertinent in the solution of most appraisal problems; with their application being well established in appraisal technique and held to be part of the fundamental procedure. All approaches have been considered, although it is sometimes inappropriate to develop one or more of the approaches due to lack of market data, or lack of applicability. This appraisal has been developed using the sales comparison approach only. This approach, as well as the exclusion of the cost and income capitalization approaches, will be explained more fully later in this report.

The data, analyses, opinions and conclusions are included in this appraisal report, which uses the Appraisal Report reporting option. The pertinent data has been included within this report. The analysis, 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 Practice of the Appraisal Institute and the Appraisal Foundation, as well as the Competency provision of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraiser physically inspected the exterior and the interior of the accessible portions of the property on February 20, 2019. The inspection was not a technically exhaustive inspection. The physical attributes of the property included in this appraisal are based on this inspection as well as information obtained from plans provided, and information obtained from tax records. The condition of the overall subject property is assumed to be consistent with the portion of the property inspected, subject to the results of any more detailed inspection of the property.

The appraiser is not an engineer or surveyor, and is not an expert in the field of building inspection and/or engineering. An expert in the field of engineering/seismic hazards detection should be consulted if an analysis of seismic safety and seismic structural integrity is desired. This appraisal does not constitute an expert inspection of the property and it should not be relied upon to disclose the condition of the property. It is assumed that there are not structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment is in good working condition, and that all electrical components and the roofing are in average or good condition. This appraisal is therefore subject to the discovery of any more accurate information with respect to the physical property. If the client has any questions regarding these items, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise needed to make such inspections. The appraiser assumes no responsibility for these items.

During the preparation of the appraisal, the appraiser researched the market for comparable market data. The appraiser has collected and confirmed data in the local market through research of public records found in the McCracken County Courthouse and Paducah City Hall, as well as conversations with related parties and investors in the marketplace. In addition, the appraiser has investigated several nearby counties, as well as national market data, as appropriate, for additional market data. Details of the individual transactions were verified by buyers, sellers, brokers, agents, bankers, appraisers, recording documents, multiple listing services, assessor's records, and/or other sources believed to be reliable as shown on the data sheets included in this report.

The appraiser has experience in the valuation of this type property as well as being familiar with the subject's market area.

The qualifications of the appraiser, which demonstrate the competency of the appraiser, are included in the statement of qualifications, on page three of this report. The appraiser has disclosed, within this report, any additional steps that were necessary or appropriate to comply with the competency provision of the USPAP.

FINANCING PREMISE

This market value estimate is based on a premise of financing terms generally available in the community equivalent to cash. This concept recognizes that a seller receives all cash, but also recognizes that a typical purchaser's funds are derived from both equity and mortgages. The current mortgage market is based on a range of rates and terms, as discussed later in this report.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the appraisal is February 20, 2019, with the property inspected by the appraiser on February 20, 2019. The date of the report is March 1, 2019.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the subject property.

FUNCTION AND INTENDED USE OF THE APPRAISAL

The function of the appraisal, and its intended use, is to determine the market value of the property for the client, Jackson Purchase Energy Corporation, which is the intended user, for use in decision making and asset allocation. Neither all or any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute or the MAI designation. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all of the assumptions, limiting conditions, and additional language of the assignment.

OWNERSHIP DATA

The subject property is currently owned by Jackson Purchase Energy Corporation.

PROPERTY INTEREST APPRAISED

In the absence of any long term leases encumbering the property, this appraisal reflects a value for the fee simple interest in the subject property.

A fee simple estate is 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.

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 90.

FIVE YEAR TRANSACTION HISTORY

According to information available to the appraiser, there have been no sales or transactions involving the subject property during the past five years. Based on information available to the appraiser, the subject property is not currently listed for sale, and there are no current purchase contracts involving the subject.

TAX ASSESSMENT

Local assessments are based on 100.0% of fair market value and the most recent tax rate applicable to the subject is 1.466400% of assessed value. The subject property, which is identified as Parcel 6-9-8 in the McCracken County Property Valuation Administrator's office, is currently owned by a tax exempt entity and is assessed at \$0. In the event of a transaction involving the subject, a potential investor would project a new assessment at the sale price based on the local practice. As a result, the tax burden has no significant effect on the market value estimate.

PADUCAH-MCCRACKEN COUNTY COMMUNITY ANALYSIS

The subject is located in the Paducah, Kentucky market, in McCracken County. The subject's location in relation to the overall community is shown on the following map, with the community being more fully discussed on the following pages.

Community Map



Population: According to the 2010 Census, the city of Paducah had a population of 25,024, which represented a 4.9% decrease from the 26,307 population in 2000, which represented a 3.5% decrease from the results of the 1990 Census. McCracken County had a 2010 population of 65,565, which was almost identical to the 2000 population of 65,514, which represented a 4.2% increase from the results of the 1990 Census. This continues a longer-term trend, with the city of Paducah having a decrease in population of 7.0% between the 1980 and the 1990 Census, while McCracken County had a 2.6% increase in population between the 1980 and the 1990 Census. The drop in the population of Paducah reflects an exodus of residents from the city to the county, which offers comparable amenities with a lower tax rate. Despite attempts by the city leaders to halt the population shift, the trend does not appear to be reversing. The City of Paducah has an area of 20.0 square miles, which indicates a population density of 1,251 persons per square mile, while McCracken County has an area of 268.1 square miles, with a population density of 245 persons per square mile.

Governmental & Financial Sectors: There is a Mayor and City Commissioner government in the city of Paducah, with a Judge Executive and County Commissioner government in McCracken County, with Paducah being the County Seat. There are six banks in the community, although only one is locally owned, with one being a branch of an Illinois bank, one being a branch of a Mayfield, Kentucky bank, and four being owned by larger institutions. The last significant change in the governmental sector was the implementation of a zoning ordinance for the portions of McCracken County outside the Paducah city limits in 2001. While all existing uses were permitted, this permits more orderly growth patterns in the county. It is noted that there was a proposal for merger of the city and county governments in 2012, but it was defeated by a significant margin.

Transportation Sector: Arterial highways include U.S. Highways 45, 60, 62, 68 and I-24. The area is served by bus lines, three railroads, and Barkley Regional Airport, which has commercial service to Chicago. There are several river transport and barge lines and service operations, with Paducah benefiting from being the Northern terminus of the Tennessee-Tombigbee Waterway, and being at the confluence of the Ohio and Tennessee Rivers. This has resulted in the river industry being one of the primary employers in Paducah for many years. In 2016, the Paducah-McCracken County Riverport Authority was designated as a foreign-trade zone, which could enhance the influence of the river industry.

Educational Sector: The community has dual city and county public school systems and private religious schools. The McCracken County school system had historically included three school districts, but they were combined into a single countywide high school in 2013. Other institutions include West Kentucky Community and Technical College, a two-year college. There is also an engineering program associated with the University of Kentucky, which began in 1997, located on the campus. Murray State University, which is in the nearby Murray community, opened a satellite campus in Paducah in 2014. In addition, Paducah Public Library serves the community.

Churches & Cultural Activities: The area includes over 100 churches in 20 denominations. Cultural attractions include the Market House Theater, Paducah Symphony, Paducah Art Guild Gallery, and City-County Arts Council, as well as the Luther Carson Performing Arts Center, which was developed in downtown Paducah in 2004. There are three country clubs and numerous civic, fraternal and social organizations that serve the community.

Recreational Sector: There are 450 acres of parks, including Noble Park. Kentucky Lake and Lake Barkley recreational complexes are approximately 25 miles away. There is a twelve-screen theater complex that was constructed in 2002, replacing an older complex, and a one-screen theater, which opened in the downtown in 2001. There is an auto racetrack, a drag strip, and a horse racing track, as well as four golf courses, one of which is a public course, an indoor tennis center that was constructed in 2004, and another sports complex featuring basketball, volleyball, and soccer, which opened in 2008. Player's International Riverboat Casino, now owned by Caesar's, opened in Metropolis, Illinois, which is immediately across the Ohio River from Paducah, in 1993. Illinois allows riverboat gambling, but Kentucky does not. The proximity of the riverboat has resulted in tourist traffic in Paducah, as well as Metropolis.

Medical Sector: Paducah is a regional medical center with approximately 200 physicians, and 50± dentists. Baptist Health Paducah includes 373 beds, while Mercy Health, which was known as Lourdes Hospital until 2018, has 359 beds. There are crippled children's and mental health clinics, as well as four extended care nursing homes, one of which relocated to a new facility in 2014, and five other elderly housing facilities, with a new assisted living facility opening in 2015, with 42 units in the initial phase. A medical office park containing several offices was developed along Lone Oak Road in the early 1990's. The park includes a 145,000± square foot, four-story multi-tenant office building, including a privately owned outpatient surgery center, which is now owned by Mercy Health, as well as several smaller buildings.

The supply of medical office space was further increased by the development of an adjacent office complex by Baptist Health Paducah. Baptist Health Paducah has continued to expand over the years. This included major expansions including considerable rental office space, with expansions in 1997, 1999, and 2003, with 204,000 (R) square feet of rental office space now in this structure. Furthermore, a 79,000 (R) square foot heart center addition was completed in 2007, with a 44,000 (R) square foot cancer center opening in 2017. Mercy Health Hospital had a 133,000 (R) square foot addition, including medical office space, in 2004. The shifting of the medical sector in the 2000's did not have a significant negative effect on the demand for freestanding medical office buildings in the community. The overall strength of Paducah's medical community and the expansion of the hospitals should continue to provide a strong level of demand from this sector.

Industrial Sector: While manufacturing has not historically been a primary base for the Paducah market, a varied manufacturing base has historically included chemical and nuclear products, railroad locomotives, food and kindred products, lumber, furniture, apparel, textiles, printing and publishing, rubber, minerals, primary metals, machinery, metal products, and marine equipment. The local industrial market had remained generally stable for many years until 2013, when USEC announced that it would cease operation of the Paducah Gaseous Diffusion Plant (PGDP), with the facility having been turned over to the U.S. Department of Energy in October 2014. It had originally been announced in 2004 that production would be replaced by a new facility in Ohio in 2010, but there were several delays prior to the official announcement of the closing. The facility is located on 3,556± acres in northwest McCracken County, with this facility having been one of McCracken County's primary employers since the 1950's, with 1,100± employees at the time of the announcement.

The facility should continue to have an impact on the area for the next several years, with many years of site cleanup. It is noted that there were lawsuits and press reports regarding the possible contamination of workers, and possibly surrounding properties, throughout much of the 2000's, but this did not have a dramatic effect on the market. The long term impact of the closing of the plant could potentially be devastating to the community due to the sheer number of employees as well as the relative level of pay, but it now appears that the initial impact has been somewhat lessened by the cleanup by the Department of Energy, with a peak of approximately 1,500 people, and stabilized employment of 1,300± onsite for the cleanup and monitoring operations. It appears that the cleanup will take several years and the eventual long term impact cannot be projected due to the presence of considerable employment in the cleanup, as well as the interest in other firms of utilizing some or all of the facility for related uses. In 2013, there was an announcement that GE Hitachi's GLE division was granted the right to negotiate with the Department of Energy to use the facility to re-enrich depleted uranium. This project appears to be progressing, but it does not appear that construction of this facility will occur in the near term.

Most of the other industrial employers in the community are smaller facilities, but they appear to have a stable future. The area has an abundant supply of industrial properties but vacancies have remained moderate. While Paducah has not traditionally been an industrial center, some new construction occurred in the 2000's in the community, with some new construction continuing into the 2010's. The local development authority developed a 192± acre industrial park on Olivet Church Road in the early 2000's. A 56,000 square foot "spec building" was constructed in late 2001 and it was occupied as a distribution warehouse for Coca Cola in 2005. In addition a 100,000± square foot manufacturing plant and distribution center was built in the park for Infiniti Media in 2004, with eventual employment of 100 people proposed, but it did not achieve the employment levels promised and it closed in 2013. In 2014, Genova Products occupied this building, with employment of approximately 125 people.

H. T. Hackney constructed a 150,000 square foot distribution warehouse in the park in 2011, to replace an older, smaller facility. In 2013, Whitehall Industries announced that it would occupy a portion of the former Tyler Mountain Water plant, which had closed in 2009, with projected employment of 150. This plan was terminated due to environmental issues, however, with the company building a new building in this park in 2014 instead.

The building was occupied by E Z Portable Buildings in 2014, however, with eventual employment of 90 projected. A FedEx distribution facility was developed in 2008, on John Puryear Highway, off I-24. In 2007, a 213 acre industrial park was opened, with this park including frontage along the Ohio River. It is now marketed as the Ohio River Triple Rail Megasite, with up to 2,126 acres available, although much of this land has not actually been acquired. In 2013, development of a coal transfer terminal began along the Ohio River after approval of this project was denied on three separate occasions in the late 2000's through 2011 due to considerable local opposition. Other than the USEC closing, the most recent negative events in the industrial sector were US Foods closing its distribution center, which had 250± employees, in 2012, and AmerisourceBergen closing its facility, which had 90± employees, in 2017. The US Foods facility was acquired by Darling Ingredients in 2015, but it has a minimal number of employees. It was announced in 2018 that the AmerisourceBergen facility would be occupied by GenCanna Global USA, Inc. for use as a hemp derived product manufacturing facility.

Other than these, there have been no significant industrial developments in Paducah for several years. The community has ongoing activity involving smaller industrial facilities, however. The industrial market has historically demonstrated reasonably stable demand for these relatively small properties, despite the limited activity involving larger facilities. The nationwide recession that extended from 2007 through 2009 did not have a dramatic impact on the local industrial market due to the limited number of major industrial employers. Conversely, the relatively weak recovery throughout most of the 2010's has not resulted in any significant improvement in the industrial sector. The relatively limited strength of the national economy diminishes the probability of any major new employers in the community in the near term.

Retail Sector: The commercial core of the Paducah market is at the interchange of I-24 and U.S. Highway 60, around the Kentucky Oaks Mall complex. Kentucky Oaks Mall is a regional mall containing 1,025,000± square feet, which is located at the I-24/U.S. Highway 60 interchange, and which opened in 1982. Retail development was very active around the Kentucky Oaks Mall throughout most of the 2000's before slowing in the late 2000's, but has continued at a moderate pace in the 2010's. Larger stores in the area include a 190,000± square foot Wal-Mart Super Center developed in 1992, a 120,000± square foot Lowe's store, which opened in 1995, a Home Depot containing 115,000± square feet, which was constructed in 2002, and a 134,326± square foot Sam's Club store built in 2004.

A mixed-use development, West Park Village, began in 1993 at the corner of Olivet Church Road and Highway 60. This development includes retail, office and residential uses, with sporadic development continuing. The land in the rear of the Kentucky Oaks Mall was developed with a mixed-use retail project, the Oaks II, in 1996. There were only three parcels developed for several years, but the opening of the Sam's Club in the subdivision in 2004 resulted in increased interest. A 17,000 square foot shopping center was developed in 2006, with a 66,725± square foot shopping center built in 2008 in this subdivision. The former Strawberry Hill farm, behind the Wal-Mart, is continuing to be developed with a mixed-use commercial subdivision, with development beginning in 1999. Retail developments in Strawberry Hill include a 27,000± square foot strip center and a 10,000± square foot strip center that were built in 2001, as well as a 12,600± square foot center built in 2006. A 29,750± square foot center was developed in the subdivision in 2007, with other smaller properties as well. More recently, a new 17,000 square foot strip center was constructed in the subdivision in 2015.

A 128,500± square foot shopping center, Paducah Specialty Center, was built on U.S. Highway 60 and James Sanders Blvd., in 1999. A 165,538 square foot shopping center anchored by an 80,408 square foot Kohl's was developed at the corner of Highway 60 and Olivet Church Road in 2005. The previously discussed 17,000 square foot center, the 12,600± square foot center, and a 7,000± square foot dual-tenant building, were constructed in 2006. The previously discussed 29,750± square foot shopping center was developed in 2007, with a 66,725± square foot shopping center developed in 2008. A new strip center was built at the corner of Hinkleville Road, West Park Drive, and Olivet Church Road in 2014, and it was expanded in 2016 and including 16,000± square feet.

Development of a 50+ acre multi-tenant project began on Highway 60, immediately west of Olivet Church Road in 2016, with the anchor to be a Menard's.

Vacancies increased somewhat in the late 2000's due to the state of the overall economy. This resulted in the closing of the Paducah stores of several national retailers in 2008, but it stabilized in the early 2010's. Otherwise, the most significant adverse factor influencing this area is attributable to traffic problems. The widening of U.S. Highway 60 and the Holt Road relocation resulted in a small improvement in the access to the area, as did improvements to Olivet Church Road.

The opening of the Kentucky Oaks Mall, in 1982, devastated the downtown retail market as most tenants moved to the mall and surrounding area. The downtown retail market never fully recovered, and will likely never return to its former state. There were some positive developments during the 2000's, with some conversion to office space and the renovation for several lower intensity retail uses. In addition to the downtown, the Southside retail area was adversely affected by the opening of the mall, but it experienced a recovery during the 2000's. The former Paducah Mall was razed and a 190,000± square foot Wal-Mart Super Center was constructed on the site in 1996 as part of a 316,110± square foot shopping center known as Paducah Towne Center. This improved the outlook for the Southside somewhat, but it did not significantly change the overall state of the neighborhood. The sporadic construction of smaller developments is continuing in the area, however. Another static commercial location for years has been Cairo Road, with no major developments for many years until Rural King opened a new store east of the I-24 interchange in 2014. Despite this, there is nothing to suggest any significant change in the commercial sector along this artery.

There has also been some recent commercial development in the Lone Oak area, although it has been on a smaller scale. This area includes two commercial subdivisions, the Magnolia Village Commercial Subdivision, which was opened around 1990, and Brian Centre, a mixed-use commercial and residential development that opened in 1996. The frontage lots in both projects were developed quickly, but construction has been slower within the subdivisions. Commercial developed increased in the Lone Oak area in the mid 2000's, with a 12,000± square foot, multi-tenant office building built in 2006, while a 14,000± square foot office/retail building, and a 15,000± square foot retail center were constructed along the Lone Oak Road commercial corridor in 2007, with a 13,700± square foot center located immediately off Lone Oak Road having been built in 2012. Other suburban retail areas have remained stable without excessive vacancies. The nationwide recession that extended from 2007 through June 2009 resulted in increased vacancy rates, particularly in the mall area, which has more national tenants. This sector stabilized in the early 2010's, with vacancies having remained moderate. Recognizing the state of the location economy, as well as national retail trends, some new development is possible within the overall retail sector, but at a more moderate pace in the foreseeable future.

Office Sector: The local office market continued to experience construction of new office space in the suburban areas of Lone Oak and along Highway 60, near the mall, throughout most of the 2000's and into the 2010's. In addition, there is ongoing renovation of older buildings in the downtown area, although the rate of renovation in the 2010's has been somewhat slower than that during much of the 2000's. Much of the development of office space in the 2000's was attributed to the construction of new medical office space by the hospitals, as previously discussed. The last significant project in the downtown area was the conversion of 70,000 (R) square feet of retail space for office usage in 2004, with the occupancy of this structure having improved the downtown office sector somewhat. More recently, TeleTech Holdings, Inc. occupied the building formerly utilized by Regions Bank in 2015, with 150± employees in this building. The other most recent new office developments have been along Highway 45, and along Highways 62 and 60 to the west.

Significant new office construction in the late 2000's included a 15,000± square foot Paducah Bank Financial Center and a multi-tenant building anchored by the Social Security Administration, which were each developed in Strawberry Hill in 2008.

Construction of offices continued in the subdivision in the 2010's, including two single-tenant medical offices completed in 2011, with a 22,700± square foot, multi-tenant building built in 2012 and a 9,300± square foot multi-tenant office building completed in 2013. The largest recent office development was the construction of a 41,400± square foot orthopedic facility on U.S. Highway 62 in 2012, with a 26,300± square foot building completed off Highway 45 in 2016 for use by another medical practice. The only other significant development in the office market in the 2000's was the 22,000± square foot Ulrich Medical Concepts building, which was built in 2005 in the Paducah Commerce Park, formerly known as the Information Age Park. Most of the larger projects have been built for owner occupancy, but some smaller properties have also been built on a speculative basis. Some smaller multi-tenant offices were constructed in the early 2010's, with most having relatively slow rates of absorption.

The Paducah Commerce Park, formerly known as the Information Age Park, located between U.S. Highways 62 and 60, was developed in 1992 in conjunction with South Central Bell. The park was designed for development of office space to be utilized by information processing tenants rather than the traditional industrial clients. The construction of support buildings was completed, but only eight tenants have located in the park since the opening. Three of these were essentially expansions by local companies, although the LYNX Company constructed a new office building in the park in 1999, and the Ulrich Medical Concepts building was completed in 2005. New offices for Marquette Transportation and Pepsi were constructed in 2007, as was the completion of a former spec office building by A & K Construction. The most recent developments included the relocation of Superior Care nursing home into the park, and the construction of a new office for TeleTech Holdings, Inc., each in 2014, with System Solutions constructing a 10,000± square foot office in the park in 2015. Although the absorption rate of the park has been well below initial expectations and projections, the park should continue to have a positive effect on the area economy.

Due to the new construction, particularly within the medical sector, vacancy rates are higher than desirable in some secondary locations within the community, though much lower than in most larger cities. The primary vacancy risks have typically been in the new construction and in older, poorly located properties. This was demonstrated by the 2007 closing of the Katterjohn Building, an old multi-tenant office building that had previously been converted to office space from its original use as a hospital. It was closed due to the inability to maintain rental rates and occupancy rates sufficient to warrant its continued operation. In addition, the former Professional Arts buildings, another multi-story, multi-tenant, office building, was acquired by Baptist Health, with this building being removed from the private sector in 2014. These closings actually benefitted the balance of the office sector by removing low cost competitors from the market. The well-located, modern facilities are not experiencing excessive vacancies, with vacancy rates remaining moderate for the existing units. The vacancy risk must still be recognized throughout the market.

Lodging Sector: The Paducah market includes approximately 28 motels and hotels with over 2,300± rooms. Most facilities contain less than 100 rooms and were constructed five to thirty years ago. There are fewer than ten facilities with over 100 rooms. The Executive Inn, with 434 rooms and a convention center, was the largest hotel in Paducah since its original construction in the early 1980's until the hotel closed in 2008 and razed by the city. It was effectively replaced by a 123 room Holiday Inn, which opened in 2017. Otherwise, the local market includes two distinct segments, with the most recent developments located at the I-24/U.S. Highway 60 interchange, near the Kentucky Oaks Mall, and at the I-24/Highway 305 interchange. Most of the facilities in other areas are older facilities developed prior to the opening of the mall.

The Paducah lodging market experienced considerable development in the 1990's, but development then slowed until the late 2000's. This included a 100 room Marriott Courtyard which opened in 1997, a 144 room Drury Suites and a 60 room Quality Inn, reflagged from a Comfort Suites in 2015, both of which opened in 1996, as well as a 118 unit Drury Inn and a 77 unit Auburn Place, which was constructed as a Holiday Inn Express in 1995 but reflagged in 2013, all at the U.S. 60/I-24 interchange.

The Highway 305/I-24 interchange also experienced new development, including a 66 room Ramada Suites, which opened in 1997, an 80 room Baymont Inn built in 1996, and a 42 unit Super 8 motel built in 1995, with some of these having since been reflagged. In addition, a 50 room Best Western opened in 1998 at the I-24/Husbands Road interchange. There was no other construction in this sector as these units were absorbed until the construction of a 60 room Country Inn at the I-24 interchange with Highway 60 in 2003. A 108 room Hampton Inn and a 74 room Residence Inn were constructed in 2007, with an 85 room Candlewood Suites built in 2008, an 82 room Fairfield Inn & Suites opening in 2011, an 85 room Holiday Inn Express opening in 2013, a 77 room La Quinta Inn opening in 2014, and a 97 room Homewood Suites opening in 2017. An older Thrifty Inn was razed in 2018 and is to be redeveloped with a new facility and an 80 room Comfort Suites is to be completed in 2019 at the interchange.

After considerable construction in the late 1990's, the Paducah lodging sector had remained stable for several years, until the new development in the late 2000's and early 2010's. The nationwide economic weakness in the late 2000's, resulted in a moderation in the historically high occupancy rates of the existing facilities at the interchanges. This was somewhat offset by the removal of the Executive Inn from the supply, however. Some improvement has continued in the market in the mid 2010's, but any further development in the near term could have adverse effects on the market.

Residential Sector: The local residential market was relatively active in the suburban areas and the "West End" of Paducah throughout most of the 2000's before moderating somewhat in the late 2000's and early 2010's. The rest of the city has experienced stable or decreasing property values for several years, as residents move to the suburbs, which offer similar amenities with lower taxes. Development of new residential subdivisions had been relatively active during most of the 2000's, with the most active developments near the West End and in the Lone Oak suburb, as well as smaller new developments in the Concord and Reidland suburban areas. The market was strengthened by low interest rates throughout most of the 2000's, and the local housing market remained reasonably strong, although it slowed somewhat in the late 2000's due to the nationwide recession that extended from 2007 until June 2009. The recovery of the national economy was relatively weak throughout most of the 2010's, resulting in only moderate improvement in the residential sector during this period.

There was considerable development in the Lone Oak and Concord areas throughout most of the 2000's, with development on a smaller scale in Reidland and the rural areas of Heath. While most residential development has been in the suburban areas, there was some infill development in the older, but active, West End area of Paducah. The former Westwood Country Club was closed in 2006 for redevelopment into a residential subdivision. In addition, a new subdivision was proposed on Buckner Lane at I-24, with these representing the last sizable tracts in the West End area. The Westwood development experienced financial difficulties before new ownership in 2010, while the Buckner Lane project was cancelled due to local opposition. This area has nevertheless remains a viable residential area over time, despite the trend of the population relocating to the suburbs. There were some smaller projects but there had been no major developments in the community in the 2010's until the announcement that The Paddock at The Oaks Subdivision would open in the Lone Oak area as well as two subdivisions located along Holt Road, in 2019.

Interest rates have remained relatively low, helping offset the weak recovery in the national economy, with decreases in rates in 2011 and 2012. While the long term trend is for increases, interest rates are projected to remain relatively low in the foreseeable future. The Paducah market has not typically experienced the wide swings in residential property values of many larger markets. The potential for deterioration in the residential sector due to the closing of the Paducah Gaseous Diffusion Plant and the loss of numerous high paying jobs, has not been a significant issue due to the employment for the cleanup but the final impact of the plant closing cannot yet be determined. In addition to the impact of the USEC closing, the risk associated with the state of the national economy, as well as any long term increases in interest rates are noted. As a result, there is little potential for any dramatic improvement in the single-family residential sector in the near term. This sector is likely to remain reasonably stable, with the risk of deterioration noted.

Multi-family Residential Sector: Vacancy rates have historically remained moderate for modern, well-located apartments, although the rental rates remained relatively flat. There was new development in the apartment market during the mid 2000's, with this including several smaller properties containing 30 units or less, many of which were in the Lone Oak area. This new development resulted in some moderation in the occupancy rates, but occupancy levels remained relatively strong throughout the 2000's and into the early 2010's.

New units added in the late 2000's included a 42 unit rent restricted complex was developed in the Concord area in 2008, with a 76 unit market rent complex developed in 2008-2009 and a 51 market rent complex developed in 2009-2010, each in the Lone Oak area. In addition, a 40 unit expansion of the Quail Run apartment complex, which was originally developed in the mid 1980's, was completed in 2006. New construction within the Paducah residential rental market has historically occurred at a moderate rate, which allowed the new units to be absorbed with no significant increases in overall market vacancy rates. There was significant new construction during the mid and late 2010's, however.

The first project is a complex located off Hinkleville Road at County Park Road, which began in 2012. It is to include 192 units upon completion of the final units in 2018. Another project is a 96 unit complex behind the mall, with this project beginning in 2015 and completed in 2017. In addition, a 24 unit property was developed on Olivet Church Road in 2014-2015. There are also 27 units that were constructed in 2015 near the intersection of Blandville Road and North Friendship Road. Another project is a 72 unit complex that was completed in 2017 on Stanley Road, with this property including land for additional expansion. A 72 unit complex is currently being developed on Hansen Road, beginning in 2015, with completion in 2018. Finally, a 240 unit complex has been developed in the Strawberry Hill subdivision, with construction having begun in 2015 and been completed in 2017.

This is a total of over 700 units either under construction or completed between 2014 and 2018, with this representing an increase of over 30% in the supply of apartment units in the community. The rate of development within this sector has historically included a moderate number of new units, and the sector had remained reasonably strong. This increase in the number of units is likely to result in increased vacancies, however and it is doubtful that the market can support any additional significant increase in the supply of units or in rental rates in the near term.

Developments & Trends: Positive trends in the commercial sector throughout the 2000's included considerable commercial development near Kentucky Oaks Mall and some new construction along Lone Oak Road. Some new construction is possible, but at a more moderate rate, particularly until the impact of the Paducah Gaseous Diffusion Plant closing has been fully absorbed. No significant growth is projected in the other areas, except for sporadic development. The industrial sector has historically been relatively stable with the periodic construction of the small industrial buildings continuing. There have been no major new industrial facilities developed in over 30 years, with none projected in the near term, although the new industrial park has improved the outlook for this sector slightly. The long term future of the USEC plant will likely impact the industrial sector to some degree, although it has historically had limited impact on the balance of the industrial market. The Paducah Commerce Park should continue to be an asset to the local economy in the long term, despite its slow absorption. The office sector benefitted from the announcement that TeleTech Holdings, Inc. would occupy an underutilized building in the CBD in 2015, as well as constructing the new building in the Paducah Commerce Park in 2014, with a total of 550 employees. This sector should otherwise remain stable, despite the vacancy risk associated with the renovation to the older buildings and the new construction in the 2000's and has continued into the 2010's. A vacancy rate risk is present in this market, particularly for larger users, but it is not excessive for the overall office market.

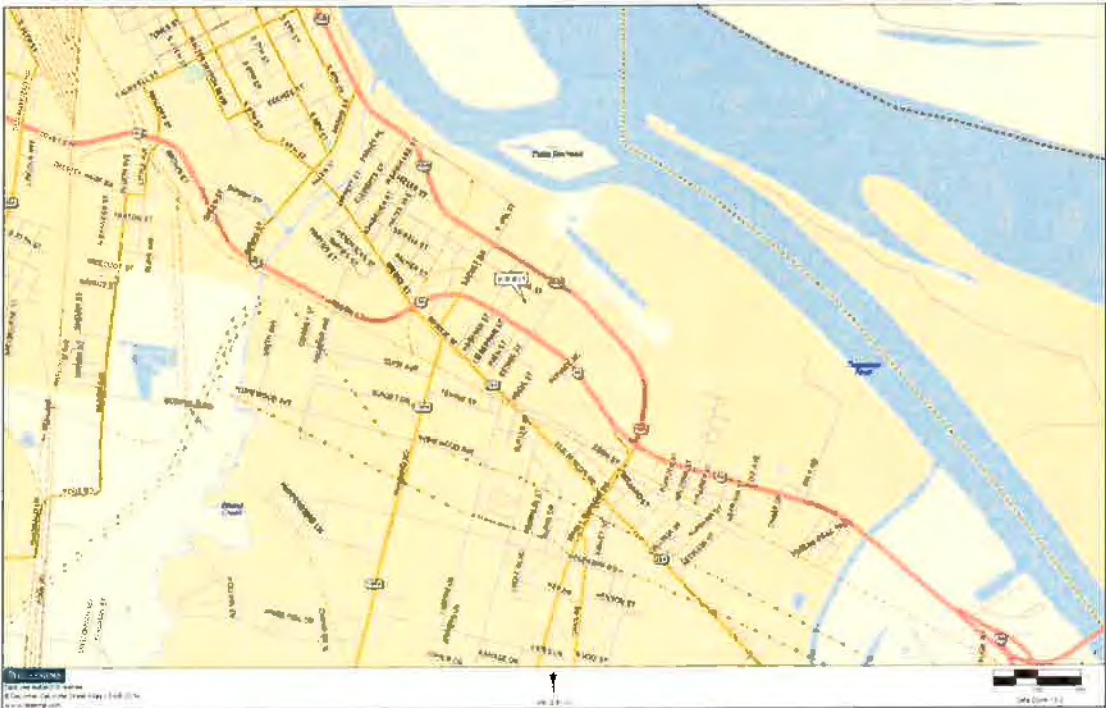
Interest rates remained relatively low throughout the early 2010's, with rates decreasing in 2011 and 2012 due to continuing economic weakness from the recession in the late 2000's. While the long term trend is for increases, interest rates remain relatively low in the near term.

The national economy began to recover in the 2010's, but the recovery has been relatively weak, which is consistent with the local market. Paducah has historically benefited less from expansions and suffered less from recessions than larger cities with more industry. The loss of the USEC plant, as well as the current state of the national economy, is likely to result in no major new developments in the near term. The long term impact of the USEC closing on the market cannot yet be determined, but it is possible that it will cause some deterioration in the residential sector in the event that employment levels should decrease in the cleanup of the facility. Recognizing these factors, limited growth is possible in most areas in the near term. Interest rates began increasing in late 2016 but the increases have not been excessive, and it is doubtful that there will be a dramatic change in interest rates in the near term. Nevertheless, the relationship between the economy, particularly the real estate market, and interest rates must be recognized.

NEIGHBORHOOD ANALYSIS

The subject is located in the Southside area of Paducah, with this area generally defined as lying between the Railroad and Clark's River on the east and west and between Benton Road and Yeiser Street on the north and south. The principal arterial streets in the neighborhood are Clark's River Road (U.S. Highway 60-62-68), and the Downtown Access Road (Yeiser Street). The subject's location in relation to the neighborhood is shown on the following map.

Neighborhood Map



The neighborhood is composed of a heterogeneous mixture of commercial and light industrial uses primarily composed of buildings constructed in the past 50 years, although some older properties are intermixed. Most of the neighborhood developed outside the zoned areas of the city, although most of the neighborhood has now been annexed. The principal zoning classifications for the areas within the city limits are M-1, Light Industrial and B-3, General Business. A portion of the neighborhood lying between the floodwall and Clark's River Road lies outside the city and was unzoned until 2001, at which time the McCracken County Zoning Ordinance was implemented. Most of these areas are now subject to ML, Light Industrial, or C, Commercial zoning restrictions.

The quality and layout of existing properties suffers from the historical haphazard development of the neighborhood, but recent development has been more orderly, and future development will come under the oversight of Planning and Zoning Agencies. The neighborhood showed strong commercial growth throughout the 1970's, but the opening of Kentucky Oaks Mall on the west side of the city in 1982 had a significant negative effect. The opening of the Downtown Access Road and growth of the Paducah Riverport resulted in additional development of the Industrial Park and Yeiser Street areas and reduced traffic congestion along Irvin Cobb Drive in the 1980's. A positive trend for the area was the construction of the John Puryear Highway in 1998, which provides direct access from I-24 to the Downtown Access Loop. This helped increase the commercial traffic through the area somewhat, although this remains primarily an industrial artery. In addition, the neighborhood represents the nearest commercial area to the Reidland and Farley suburbs as well as the south and east sides of the City of Paducah.

Paducah Towne Center, containing 316,110± square feet, was constructed on the site of the former Paducah Mall in 1996. Most of the former mall was razed for development of the center, although approximately 80,000 square feet was retained for satellite retail space. The facility includes the Wal-Mart store containing approximately 190,000 square feet, a 36,093 square foot space occupied by Trees and Trends, 26,875± square feet leased to Big Lots, and a free standing 11,608± square foot Dollar General Store, as well as 51,534± square feet of satellite retail space. This project generated considerable interest in the neighborhood, including several site purchases for new development and speculation. This development did not cause any significant shift in the overall Paducah market, but it improved the commercial market in the Southside during the late 1990's.

After the developments in the mid to late 1990's, new construction slowed during the early 2000's, before projects in 2004 and 2005. These include a 10,000 square foot multi-tenant building located across from the Wal-Mart that opened in 2004, and a Walgreen's that was completed in 2005 at the corner of Irvin Cobb Drive and the Downtown Loop, with a strip center to eventually be developed adjacent to the Walgreen's. Furthermore, an 111,196± square foot Lowe's store was constructed across the street from the Wal-Mart in 2007. Other construction includes a Waffle Hut restaurant developed in 2006, a gas station built in 2011, and a Dairy Queen Restaurant completed in 2017. A branch bank building is proposed adjacent to the Waffle Hut, but construction has yet to begin.

The residential sector has been static for several years. The only new development has been sporadic construction in the nearby Farley community. The Evelyn Manor subdivision, which opened in the mid 1990's, is the only remotely recent significant residential development, and there is only scattered residential construction in other areas. No change is projected for this sector in the foreseeable future.

There are several industrial properties throughout the neighborhood. There are several properties that were developed in the 1960's and 1970's, which are located between Irvin Cobb Drive and the Downtown Loop, as well as a few other smaller industrial properties scattered throughout the area. The most recent industrial development influencing the neighborhood is in the Littleville area, which is on the periphery of the Southside market. Local developers purchased a 33± acre parcel and developed an industrial park, opening in 1997. There were four facilities that opened in the park in the late 1990's, with one building built in 2001, and one in 2003. Additional long term industrial development is probable for this area. Although the park lacks nearby interstate access, it has rail service and sufficient highway access for local distribution. Based on this development, as well as the recent construction along the Downtown Loop, the industrial sector should remain stable.

Projected trends for real estate in the neighborhood indicate (1) Continued growth in development and property values for properties oriented toward the Downtown Access Road and Industrial Park, (2) Continued growth along Irvin Cobb Drive around the Wal-Mart which is of a higher quality than in the past, and (3) Sporadic growth of a more haphazard nature along Clark's River Road.

PROPERTY IDENTIFICATION AND DATA

Site Data

The subject property is a generally rectangular shaped parcel bounded by Irvin Cobb Drive, Bethel Street, Powell Street and Tully Street, which is improved with three buildings that have historically been utilized as an institutional facility. It contains approximately 752,900 square feet, or 17.28± acres. The legal description of the subject property is included in the rear of this report due to its length. It is recorded in Deed Book 503, page 114. This legal description is for purposes of property identification only and no warranty for its accuracy is made or implied. The subject site is generally rectangular in shape, with dimensions of 1,037.88'x728.25'x1,030.0'x728.18', as shown on the aerial photograph included on page 24 of this report.

As noted above, the subject is bounded by Irvin Cobb Drive, Bethel Street, Powell Street and Tully Street, with access being available to all four arteries. Irvin Cobb Drive is a four lane, two way artery that is part of the Beltline Highway, as well as being part of U.S. Highways 60 and 62. It was historically an active commercial artery within the Paducah market, although it has not been a primary commercial artery for many years. It remains a relatively heavily traveled artery, although the subject is located west of the current commercial core of the Southside. The other three streets are secondary two lane arteries that are generally industrial in character. This provides adequate access in relation to most competing properties.

The site has generally level topography, with no drainage problems noted. Based on information shown on National Flood Insurance Program Map 211450162F, dated November 2, 2011, published by the Federal Emergency Management Agency (FEMA), the subject appears to be located in an area with a "moderate flood risk" on this map, with a copy of the applicable portion of this map having been reproduced on page 25 of this report, but the map notes that "This area is shown as being protected from the 1 percent annual chance or greater flood hazard by a levee system. Overtopping or failure of any levee system is possible." There is a note to refer to the "Accredited Levee Note" in "Notes to Users".

Electricity, natural gas, public water and sewers are all reportedly available to the site. Off-site improvements include electric streetlights, concrete sidewalks, curbs and gutters, as well as the asphalt paved roadways. No rail service is available to the site. Other than utility easements, no apparent adverse easements or encroachments were observed at the time of inspection. As will be more fully discussed later in this report, the property is subject to M-1, Light Industrial zoning restrictions.

In summary, the site has reasonably good utility in relation to the surrounding properties, with no significant adverse factors noted.

Environmental Disclaimer

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances.

The property appears to include fuel service facilities. The appraiser has not made a soil test or test of underground water. Identifying the site and soil contaminants or environmental issues is beyond the scope of this appraisal and the appraiser's qualifications. Unless otherwise stated in this report, this appraisal is based on the assumption that the site and property are uncontaminated and unaffected by environmentally hazardous materials or substances. No responsibility is assumed by the appraiser for contamination issues and no warranties are implied by this opinion of value. No consideration of existing or proposed regulations of the Environmental Protection Agency (EPA), nor any other government agency, has been made by the appraiser.

No statement of the subject property's compliance or noncompliance with the regulations or requirements of any government agency has been made by, or implied by, the appraiser. The client is advised to obtain the services of qualified environmental services contractors.

The presence of substances such as asbestos, urea-formaldehyde foam insulation, radon gas, leaking underground storage tanks (LUST's), or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Zoning

As previously discussed, the subject property is subject to M-1, Light Industrial zoning restrictions, based on information available to the appraiser. This classification is to provide an area for high intensity commercial activity and light industrial uses. Permitted uses include single-family dwellings, multi-family dwellings, assisted living facilities, nursing homes, tourist homes, professional office buildings, retail uses, restaurants, personal and convenience services establishments, shoe store and repair shops, tailor shops, theaters, bed and breakfasts, hotels and motels, funeral homes, commercial greenhouses, assembly buildings, home occupations, wholesale establishments, automotive sales and repair, laundry and dry cleaning establishments, cemeteries, warehouses and storage buildings, public and commercial sewage disposal plants, and any industrial, manufacturing, fabrication or processing use which does not emit objectionable noise, smoke, odor or dust beyond the confines of its property, as well as parks, playgrounds, and community centers which are owned by governmental agencies. Conditionally permitted uses include other industrial uses, heliports, and animal hospitals or kennels located not closer than 300 feet to a residential zoned area.

The minimum front yard for an industrial property with a plant floor of 10,000 square feet or less is 25 feet, or 50 feet for highway strip uses, while the minimum side yard is 10 feet. If the plant floor is over 10,000 square feet, the minimum front yard is 50 feet, with a minimum side yard of 25 feet. There is no minimum rear yard, except where abutted by a residential zone, where the minimum rear yard is 25 feet. If the plant floor area is in excess of 4,000 square feet, a minimum lot area of 15,000 square feet and a minimum lot width of 75 feet is required. If the plant floor area is under 4,000 square feet, a minimum lot area of 7,500 square feet and a minimum lot width of 60 feet is required. Under this classification, the principal structures can cover no more than 50% of the gross lot area in all instances, while the total of all structures can cover no more than 70% of the gross lot area. There are no other minimum lot areas, yard requirements, or building height requirements.

The present improvements appear to be allowable under these restrictions. According to information available to the appraiser, the property is subject to no private restrictions, and it is assumed that there are none.

Improvement Data

The subject improvements consist of three one story buildings that have historically been utilized as an institutional facility, with the improvements containing a total area of approximately 39,600 square feet. The improvements include an office buildings, a service garage building, and a warehouse building. The property includes a total finished area of 22,435± square feet, or 57% of the building area. The structures appear to have all been constructed in 1970, with periodic upgrades an improvements, although no significant recent renovations. The subject is considered to have an overall estimated effective age of 35 years, with an estimated remaining life of 15 years. The individual buildings are discussed on the following pages.

Building 1

The subject's primary improvements consist of a one story office building containing approximately 17,445 square feet. This building includes numerous private offices, as well as pool office space and an open meeting room. The building is designed for single-tenant occupancy, with the floorplan for this building included on page 26 of this report.

The foundation and floor structure is a concrete slab on concrete spread footings. The building appears to be a masonry structure, with brick veneer exterior siding. It has a flat roof structure, with a built-up asphalt external roof covering. There was no internal evidence of roof failure observed, although no roof access was provided. The HVAC system consists of a natural gas fired, forced air heating system and central air conditioning. Electrical service is a conduit enclosed system, which appears to be, and is assumed to be, adequate to serve the existing improvements. Interior finish consists of carpet and composition tile floor coverings, drywall interior walls, and acoustic tile ceilings.

No significant items of deferred maintenance were observed at the time of inspection. Overall interior and exterior condition both appear to be average for this type property of this age, although this is a relative term, with the interior being somewhat dated and approaching the need for remodeling and renovation. It is assumed that there are not structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment is in good working condition, and that all electrical components and the roofing are in average or good condition. Functional utility is average in relation to competing properties, however, the limited number of potential users of an office building of this size, particularly in this secondary location, must be recognized.

Building 2

The subject improvements also include a one story building that is of an industrial design, which is utilized as a service garage. This building contains approximately 11,335 square feet, with 3,750± square feet of finished space, or 33% of the building area, while the remaining 7,585± square feet is garage space. The floorplan for this building is included on page 27 of this report.

The foundation and floor structure is a concrete slab on concrete spread footings. The building appears to be a masonry structure, with brick veneer exterior siding. It has a flat roof structure, with a built-up asphalt external roof covering. There was no internal evidence of roof failure observed, although no roof access was provided. The HVAC system consists of a natural gas fired, forced air heating system and central air conditioning. Electrical service is a conduit enclosed system, which appears to be, and is assumed to be, adequate to serve the existing improvements. Interior finish in the finished space consists of composition tile floor coverings, concrete block interior walls, and acoustic tile ceilings. Special features of the building include 18 10'x14' drive-in overhead doors.

No significant items of deferred maintenance were observed at the time of inspection. Overall interior and exterior condition both appear to be average for this type property of this age, although the finished space is somewhat dated. It is assumed that there are not structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment is in good working condition, and that all electrical components and the roofing are in average or good condition. Functional utility is average in relation to competing properties, as part of the overall facility, and the building would have reasonably good utility for the intended use as a freestanding building, however, there are a limited number of potential users for this building in conjunction with the primary improvements.

Building 3

The final structure is a one story building that is of an industrial design, which is utilized as a warehouse. This building contains approximately 10,820 square feet, with 1,240± square feet of finished space, or 11% of the building area, while the remaining 9,580± square feet is garage space. The floorplan for this building is included on page 28 of this report.

The foundation and floor structure is a concrete slab on concrete spread footings. The building appears to be a masonry structure, with brick veneer exterior siding. It has a flat roof structure, with a built-up asphalt external roof covering. There was no internal evidence of roof failure observed, although no roof access was provided. The HVAC system consists of a natural gas fired, forced air heating system and central air conditioning. Electrical service is a conduit enclosed system, which appears to be, and is assumed to be, adequate to serve the existing improvements. Interior finish in the finished space consists of composition tile floor coverings, concrete block interior walls, and acoustic tile ceilings. Special features of the building include a loading dock area as well as an 8'x10' overhead door.

No significant items of deferred maintenance were observed at the time of inspection. Overall interior and exterior condition both appear to be average for this type property of this age, although the finished space is somewhat dated. It is assumed that there are not structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment is in good working condition, and that all electrical components and the roofing are in average or good condition. Functional utility is average in relation to competing properties, as part of the overall facility, and the building would have reasonably good utility for the intended use as a freestanding building, however, there are a limited number of potential users for this building in conjunction with the primary improvements.

Site Improvements

The subject site includes approximately 75,000 (R) square feet of asphalt paving used for driveways and parking, as well as considerable gravel parking area and metal fencing around much of the perimeter. The site improvements appear to be in average condition for a property of this age and they appear adequate to serve the existing improvements. It is noted that there appear to be fuel service facilities on the site, but these are considered to be personal property and are not included in this appraisal.

Furniture, Fixtures & Equipment (FF&E)

This appraisal reflects no value for any furniture, fixtures and equipment, or any other personal property.

AERIAL PHOTOGRAPH



FLOOD HAZARD MAP

PANEL DATE

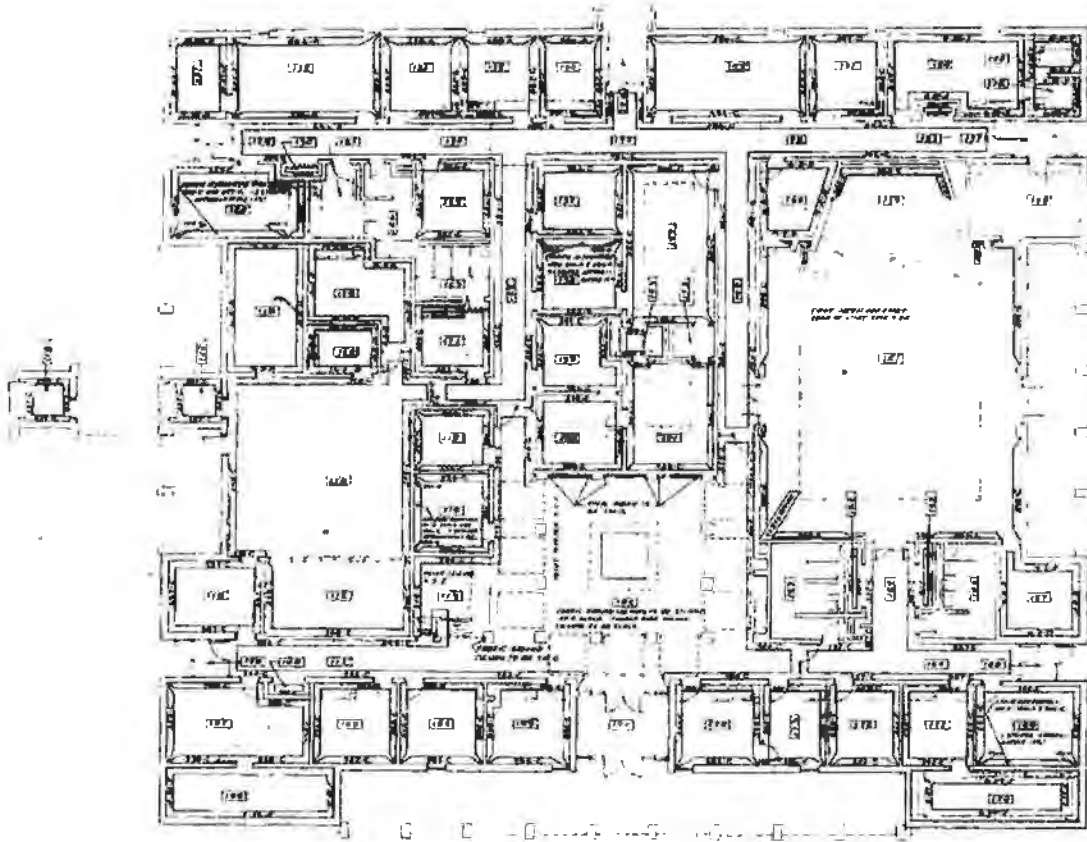
November 02, 2011 MAP NUMBER

211450162F

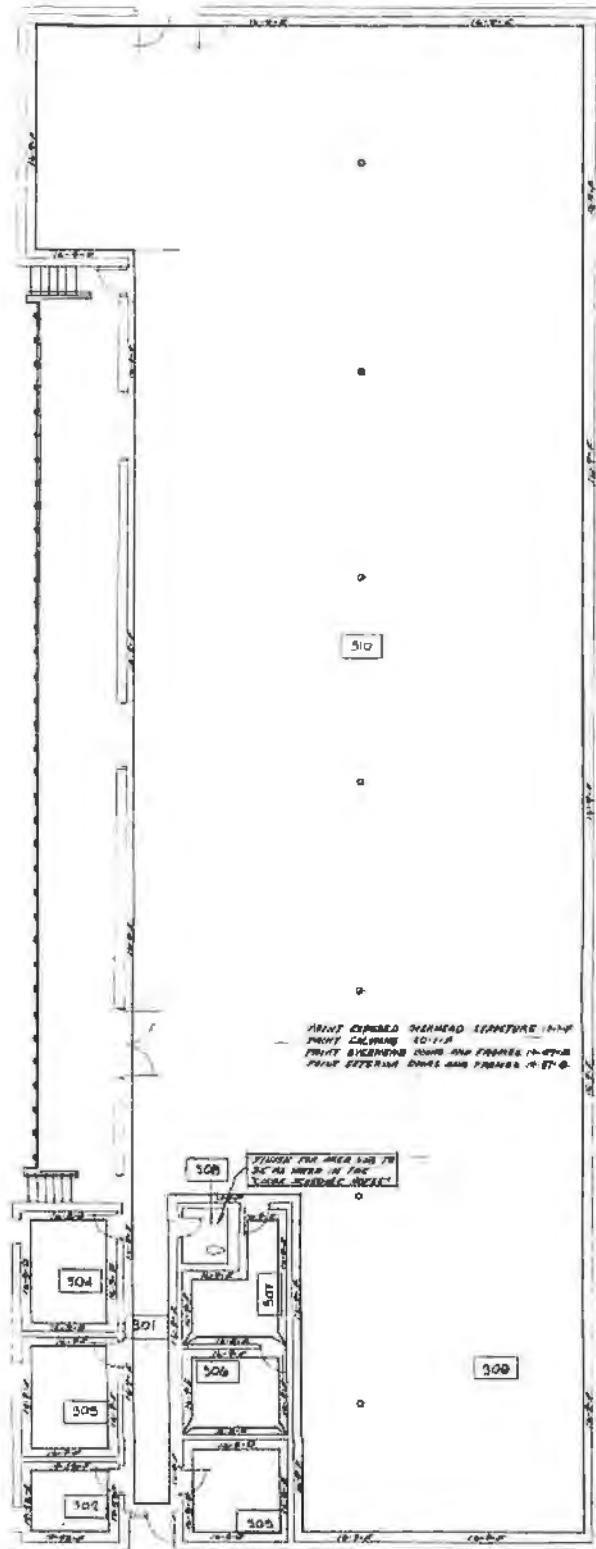


- X500 or B Zone
- A Zone
- V Zone
- D Zone
- Floodway
- CBRA

IMPROVEMENT SKETCH-BUILDING 1



IMPROVEMENT SKETCH-BUILDING 3



HIGHEST AND BEST USE

Highest and best use is defined as the reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 109.

The highest and best use must meet the following four criteria in this analysis: (1) Legally Permissible, (2) Physically Possible, (3) Financially Feasible, and (4) Maximally Productive. Highest and best use conclusions are developed for both the site as if vacant and available for development and the property as improved. The present use of the subject property is an institutional use, with the improvements including an office and two buildings that are industrial in character.

Highest and Best Use of Site If Vacant

Legal Possibilities

The site is subject to M-1, Light Industrial zoning restrictions, as previously discussed. This classification permits a wide range of residential, commercial and light industrial uses. According to information available to the appraiser, the property is subject to no private restrictions, and it is assumed that there are none.

Physical Possibilities

The subject site is bounded by Irvin Cobb Drive, Bethel Street, Powell Street and Tully Street, providing relatively good access to the property, although it is recognized that it is beyond most of the more recent commercial developments. This site has generally level topography and it contains approximately 17.28 acres, and the only physical restrictions are upon the size of any possible development. Only an agricultural use may be eliminated due to the size of the tract.

Financial Feasibility

Construction of a residential property would result in an underutilization of the property's location on an artery with commercial and industrial uses, which would introduce the presence of functional obsolescence. In addition, a new residence would suffer from external obsolescence due to the proximity to non-residential uses. Recognizing these factors, residential development is not considered feasible for the site, if vacant.

The surrounding area includes numerous commercial enterprises with Irvin Cobb Drive containing a variety of commercial properties. The vacancies are higher than ideal, although they have not been excessive in relation to competing locations. Some sporadic new commercial development has continued in the area over the last several years. The Southside has remained a secondary commercial area for many years, however. Furthermore, the subject is located west the most recent commercial development. There would appear to be some demand for new commercial properties in the area, however the subject's size becomes a significant factor, particularly considering the peripheral location. It would be extremely difficult to support a commercial development of this size on the Southside, particularly considering the location beyond most of the more recent commercial construction. There is nothing to suggest any significant change in the overall commercial sector in the foreseeable future. Recognizing the peripheral location of the subject, as well as the relative site of the site, commercial development does not appear to represent a feasible use for the site, if vacant.

The overall McCracken County industrial market has remained stable in relation to other markets of this size in the region. There has been some sporadic new development of smaller properties, and vacancies have been relatively moderate. Most industrial properties are developed on tracts with reasonably good street access, although not on high unit value land in commercial areas. While Irvin Cobb Drive includes numerous commercial properties, the immediate area around the subject is primarily industrial in character. Industrial development is therefore considered a feasible use for the site.

Maximum Productivity

In the absence of other feasible uses, industrial development is considered to be most productive for the subject property, if vacant.

Ideal Improvement

Having determined the highest and best use to be industrial development, an ideal improvement must be considered. The type of industrial property constructed should be a general purpose, shell building in order to minimize vacancies. The most popular building has a steel frame with metal walls and is adaptable for a variety of uses with minimal alterations.

Highest and Best Use of Property as Improved

Legal Possibilities

As mentioned in the discussion of a highest and best use of the site, the property is subject to M-1, Light Industrial zoning restrictions. The present improvements appear to be allowed under these restrictions. According to information available to the appraiser, the property is subject to no private restrictions, and it is assumed that there are none.

Physical Possibilities

The subject's present improvements restrict its range of possible uses. It was designed for an institutional use, with the improvements including an office building as well as two buildings that are industrial in character. The current user is not a typical market participant, however, with an almost non-existent market in the private sector that could utilize the existing improvements fully. The individual buildings have little adaptability for other uses other than the uses for which they were individually designed.

Financial Feasibility

As noted above, the subject's current improvements are of an atypical design, and are inconsistent with the concluded highest and best use of the site, if vacant. As previously discussed, the concluded highest and best use of the site, if vacant, was for industrial development. There are no known changes in the market that would cause this use to no longer be feasible. As previously discussed, vacancies have remained moderate, and some new development has continued within this sector.

The subject improvements include two structures that are industrial in character, although the subject includes a very higher ratio of finished space due to the presence of Building 1, with 57% of the space being finished. There are very few potential users that are primarily industrial in character that would require this ratio of finished space. This becomes more significant due to the fact that Buildings 2 and 3 are of significantly different industrial designs, with one being a service garage and one being a warehouse. It is not inconceivable that a potential user that is industrial in character would be able to utilize a facility with this level of finished space, although it would be a very specialized market. As a result, industrial usage is considered to be a feasible, but very limited, use for the property, as improved.

The only other potential use for the subject property, as improved, is for an office use. Building 1 is relatively well designed for this use, although the limited demand is once again a factor, with few potential users for a 17,445 square foot single-tenant office being presence in the local market, particularly considering the secondary location. It is noted that the adjacent property is a 15,978 square foot office building that was recently renovated for use as a bank. This would suggest some level of demand, as would the presence of periodic sales of similar sized office buildings in the market over the last several years. The limited number of transactions and the long marketing times of large single-tenant office buildings in the local market are noted, however. It is recognized that a user of Building 1 would be expected to gain relatively little utility from Buildings 2 and 3, but this is not considered to result in an office use not being a feasible use for the subject property, as improved.

A final potential use considered is razing the current improvements for redevelopment. In order for this to be a feasible use, the value of the site would need to exceed the value of the property as improved, after the cost of improvement demolition. Based on information obtained from Marshall Valuation Service, as well as other demolition expenses, a rate of \$5.00 per square foot of building area is estimated for improvement demolition expenses, implying a cost of \$200,000 (R), or \$11,600 (R) per acre. Dividing the [REDACTED] estimated value of the property based on the sales utilized in the development of the sales comparison approach equates to [REDACTED] (R) per acre. After reflecting the estimated demolition cost, the value of the subject site would need to exceed \$46,300 (R) per acre in order for redevelopment to be feasible. The following sales are considered as a test of the feasibility of redevelopment.

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4
Address	2900 Irvin Cobb Drive	7120 Benton Road	Wayne Sullivan Drive	Chester Hack Drive & State Street	3505 Coleman Road
Sale Price	N/A	\$212,000	\$360,500	\$154,000	\$300,750
Date of Sale	N/A	9/28/2018	11/28/2016	4/21/2016	8/22/2014
Land Acres	17.284	14.790	7.415	9.914	10.930
Price / Acre	N/A	\$14,334	\$48,617	\$15,534	\$27,516

Sale 1 is considered to have similar access to the subject and is within the same size range, while Sale 2 and 4 have superior access and visibility to the subject and Sale 3 has inferior access and visibility in relation to the subject. The smaller size of Sales 2 and 3 is noted as well, potentially causing distortions in the unit rates. While the unit rate of Sale 2 slightly exceeds the \$46,300 (R) per acre unit rate, the superior access and visibility of the sale would be expected to suggest a lower unit rate for the subject site. Recognizing the relative land values for industrial tracts in the local market, as well as the potential value of the property, as improved, the unit site values are considered insufficient to support redevelopment.

Maximum Productivity

There is a very limited market for either of the subject's two potential uses, although the extremely limited number of potential users that are industrial in character are noted. This would suggest that this is not the most productive use for the property, as improved. This is further supported by the data research in the preparation of this appraisal. Despite a very wide geographic search over several years, no sales of similar properties purchased for this use could be located in the region in the last five years. A few sales of similar sized offices buildings were located, however, demonstrating some level of demand for this type of use. Recognizing these factors, a continued office use is considered to be most productive for the subject property.

Highest and Best Use of Site If Vacant: Industrial Development.

Highest and Best Use of Property As Improved: Office.

COST APPROACH OMISSION

The cost approach is defined as a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 54.

The cost approach is limited as a value indicator by the difficulty in measuring accrued depreciation as properties age. This is a significant factor in this instance due to the age of the improvements, with considerable potential for improper estimation of the accrued depreciation, which could result in a misleading value estimate. As a result, the cost approach has therefore been omitted from the valuation process in this instance. The development of the cost approach might potentially result in a different value estimate than that developed in this appraisal, but the development of the approach is not considered to represent a necessity for the development of a reliable appraisal and the omission of the approach is not considered to result in a misleading value estimate.

INCOME CAPITALIZATION APPROACH OMISSION

The income capitalization approach is defined as specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 115.

The income capitalization approach is often the primary decision making tool for investment decisions involving income producing property. The income capitalization approach would therefore typically be considered in the valuation process. In this instance, the subject is owner occupied, with no historical income and expense data attributable to the subject property. There is a very limited rental market for this type property in the area from which to develop the approach, and rental data involving highly comparable properties is limited. A greater weakness influencing the approach in this instance is due to the thought process of the market. This type property is typically purchased for owner occupancy rather than based on its rental income stream. The income capitalization approach has therefore been omitted from the valuation process in this instance. The development of the income capitalization approach might potentially result in a different value estimate than that developed in this appraisal, but the development of the approach is not considered to represent a necessity for the development of a reliable appraisal and the omission of the approach is not considered to result in a misleading value estimate.

SALES COMPARISON APPROACH

The sales comparison approach is considered as a value indicator in this appraisal. It is defined as the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.

Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 6th ed. (Chicago: Appraisal Institute, 2015), 207.

The appropriate unit of comparison for properties of this type is a direct comparison based on the **Sale Price Per Square Foot**. *Due to the concluded highest and best use of the property, this unit rate is applied to the 17,445± square feet in Building 1, with any potential contribution from Buildings 2 and 3 reflected in the adjustment process.* This appraisal considers the following sales as value indicators:

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4
Address	2900 Irvin Cobb Drive	1301 Broadway	2550 Irvin Cobb Drive	230-234 Frederica Street	1001 Frederica Street
City	Paducah	Paducah	Paducah	Owensboro	Owensboro
Sale Price	N/A	\$550,000	\$1,000,000	\$2,200,000	\$475,000
Date of Sale	N/A	7/13/2018	12/8/2015	5/1/2016	7/1/2015
SF of GBA	17,445	20,192	15,978	69,376	13,986
Price/SF of GBA	N/A	\$27.24	\$62.59	\$32.23	\$33.96

Due to the limited number of comparable properties of this type in the local market, a regional search has been utilized in the development of the sales comparison approach. These sales are all taken from reasonably comparable locations to that of the subject within the communities, despite the lack of proximity, with no significant locational differences. The relative location of the subject and the sales is shown on the location map on the following page.

Improved Sales Map



Sale 1 is a recent transaction involving a comparable sized office building in the Paducah market. It is in the midtown area, which is a secondary commercial location within the community and it needs no location adjustment. This building is similar to the subject in that it had reached the need for remodeling and it is generally considered to be a good indicator of value for the subject. The only necessary adjustment to this sale is an upward adjustment to reflect the contribution of Buildings 2 and 3.

Sale 2 is located across the street from the subject, with this being a single-tenant building of a highly similar size to the subject. This building is of a similar age to the subject, however it had been more recently remodeled and it was in superior condition to the subject, indicating the need for a downward condition adjustment. The only other significant difference for which an adjustment is required is an upward adjustment to reflect the contribution of the subject's additional buildings.

The final two sales are located in Owensboro, which is a comparable sized market. Sale 3 is located in the downtown area, while Sale 4 is in the midtown area of Owensboro, a similar secondary location to that of the subject. While the Owensboro downtown area is generally a more active commercial location than that of the subject, this is a larger building with the levels of demand considered to be generally consistent in relative terms and resulting in the need for no net location adjustment to the sale. These are each office buildings that were approaching the need for renovation and were relatively similar overall condition in relation to the subject. They each require upward adjustments to reflect the contribution of Buildings 2 and 3 but they need no other adjustments.

The differences between the subject and sales are shown on the adjustment grid on the following page, and explained on the following pages, with detailed data sheets included in the rear of this report.

ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4
Address	2900 Irvin Cobb Drive	1301 Broadway	2550 Irvin Cobb Drive	230-234 Frederica Street	1001 Frederica Street
City	Paducah	Paducah	Paducah	Owensboro	Owensboro
Sale Price	N/A	\$550,000	\$1,000,000	\$2,200,000	\$475,000
Gross Building SF	17,445	20,192	15,978	69,376	13,986
Unadjusted Price/SF	N/A	\$27.24	\$62.59	\$32.23	\$33.96
Property Rights Conveyed		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Financing		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Conditions of Sale		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Expenditures After Purchase		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Market Conditions (Time)		N/A	Jul-18	Dec-15	May-16
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Current Cash Equivalent Price/SF		\$27.24	\$62.59	\$32.23	\$33.96
Location		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Site Contribution		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Improvement Quality		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Improvement Size		Inferior	Inferior	Inferior	Inferior
Adjustment		\$7.00	\$7.00	\$7.00	\$7.00
Other Improvements		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Improvement Age/Condition		Similar	Superior	Similar	Similar
Adjustment		\$0.00	-\$35.00	\$0.00	\$0.00
Site Improvements		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
FF&E		Similar	Similar	Similar	Similar
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price/SF		\$34.24	\$34.59	\$39.23	\$40.96

ANALYSIS AND RECONCILIATION

Property Rights Conveyed

All of the sales involved similar properties with respect to property rights conveyed and no adjustments are warranted.

Financing

All sales involved cash sales or conventional financing, and they require no adjustments for financing.

Conditions of Sale

All sales considered in this appraisal are considered arm's-length transactions. The properties were all exposed to the market for sufficient periods, none of the parties acted under duress and none of the sales involved condemnation proceedings.

Expenditures Made Immediately After Purchase

None of the sales required any significant expenditure by the grantee immediately after the purchase, and the sales need no adjustments for this item.

Market Conditions (Time)

Other than the first sale, all of the sales are all over one year old and they potentially require adjustments for changes in market conditions since the sale dates. The market for properties of this type has generally been relatively stable due to the limited number of market participants. The potential adjustment is based on an analysis of the following sales.

Property	Sale Price 1	Date 1	DB/Page	Sale Price 2	Date 2	DB/Page	Change
1211 North 12 th Street, Murray, KY	\$285,000	6/2016	1,089/533	\$305,000	8/2018	MLS#93284	3.0%
5025 Blandville Road, Paducah, KY	\$850,000	6/2014	1,279/208	\$480,000	5/2018	1,365/339	-7.5%
6321 Kentucky Dam Rd., Paducah, KY	\$199,000	7/2013	1,259/481	\$205,000	5/2018	1,366/404	0.6%
701-711 Jefferson St., Paducah, KY	\$375,000	8/2015	1,306/761	\$440,000	8/2018	1,372/179	5.5%
750 Sinking Creek Road, London, KY	\$1,869,000	6/2016	722/179	\$1,550,000	11/2018	748/391	-3.0%
1300 West Main Street, Salem, IL	\$105,000	5/2015	2015/3387	\$110,000	5/2018	2018/2483	1.6%

The first sale is an older retail building located along the primary commercial artery in Murray, Kentucky, with this sale suggesting some appreciation in the market. The next sale is a vacant tract in Paducah, Kentucky that was purchased for office use but not developed, and resold for another office user, with a significant decrease between these sales. The third sale is a vacant commercial tract in Paducah, Kentucky, with this sale indicating a minimal appreciation rate. The fourth sale is an older multi-tenant office building in Paducah, Kentucky, which suggests some appreciation. The fifth sale is a distribution warehouse in London, Kentucky that was leased to FedEx, with this sale indicating some deterioration in the market. The final sale is a former gas station located in Salem, Illinois that was purchased for redevelopment, with this property suggesting a minimal rate of price appreciation.

In addition to these sales, overall trends in the market are noted. Property values over the last several years have been heavily impacted by the low interest rate environment, improving the affordability of real estate and enhancing the value for most properties in relation to the income producing potential of the property. The current trend is for increases in interest rates in the debt market, but rates have thus far remained relatively low. The increases in rates do not yet appear to have had a dramatic impact on property values, but should interest rates increase significantly, it could potentially cause a decrease in property values. These sales would suggest that the overall market for non-residential properties in markets of this size in the region has experienced minor price appreciation over the last few years, but has generally remained reasonably stable. Recognizing these factors, and in the absence of any indication that increasing interest rates have had a significant negative impact on the market, the sales require no adjustments for market conditions, or time.

Location

Despite the lack of proximity of Sales 3 and 4, all of the sales are taken from reasonably similar locations for this use and they need no location adjustments.

Site Contribution

The sales are compared to the subject on the basis of the price per square foot of building area, and the site adjustment must be made on the same basis. The site values of the sales have been calculated based on sales of comparable tracts in the surrounding neighborhood. The site value is then divided by the building area of the sale in order to arrive at the contribution per square foot of building area. The subject site is larger than that necessary to serve the improvements, however it is considered to have very limited utility for additional development due to the inconsistency between the highest and best use of the site and the improvements.

The sales are all therefore considered to be located on tracts with reasonably similar contributions and coverage ratios to that of the subject. Neither the subject nor the sales include significant excess land, but all include sufficient support land to serve the improvements. As a result, the sales require no adjustments for differences in site contribution.

Improvement Quality

The subject and the sales are of similar quality levels, and the sales need no adjustments for this factor.

Improvement Size

While the sizes vary, all sales were reasonably comparable to the subject in size, when compared on this basis, and they warrant no adjustments for improvement size. Furthermore, it is noted that the subject is bracketed in size by the sales.

Other Improvements

As previously discussed, this approach is developed based on the subject's building area in Building 1 due to the contribution of Buildings 2 and 3. The sales must therefore all be adjusted upward to reflect the contribution of these improvements. This is estimated based on the following sales of older industrial properties.

No.	Location	Recorded	Sale Date	Sale Price	Size	Price/SF
5	263 Colony Drive	DB 1316 P 199	2/2016	\$65,000	7,379 SF	\$8.81/SF
6	1201 North 6 th Street	DB 1309 P 491	10/2015	\$115,000	15,062 SF	\$7.64/SF

These are each older industrial properties in the Paducah market that include a mixture of office space and industrial space. Furthermore, each has secondary access, which is considered to be generally similar to that of Buildings 2 and 3 of the subject, which are located behind the office building. This would imply a contribution of approximately \$8.00 (R) per square foot. These properties each sold individually, however, suggesting a slightly lower contribution for Buildings 2 and 3, which would be secondary structures. As a result, the unit rate is rounded downward to \$6.00 (R) per square foot and it is applied to the 22,155± square foot combined area of Buildings 2 and 3, implying a contribution of \$130,000 (R). Dividing this by the building area of Building 1 indicates an upward of \$7.00 (R) per square foot to all of the sales.

Improvement Age/Condition

The subject and the sales are all modern, but older, buildings that have had periodic renovations. Sales 1, 3, and 4 are all similar to the subject in that they did not need any structural repairs, they had all reached the need for remodeling and renovation. These sales therefore require no adjustments due to differences in the ages and conditions. Sale 2 was in superior condition in relation to the subject, however, and it requires a downward condition adjustment. The adjustment is quantified using a comparison to Sale 1, which was considered to effectively be in similar condition to the subject. In the absence of any other significant differences, the \$35.00 (R) per square foot difference in the unit rates is attributed to this factor and Sale 2 is adjusted downward based on this rate.

Site Improvements

The sales included comparable site improvements to the subject and no adjustments are warranted.

Furniture, Fixtures, and Equipment (FF&E)

The sales require no adjustments for furniture, fixtures and equipment.

After adjustments, the sales indicate a range in unit rates between the value extremes of \$6.72 per square foot, or 16.4%. While larger than ideal, this is not an unrealistic range for a property of this type, for which there is a very limited market. Furthermore, the very limited number of potential purchasers would suggest a unit rate nearer to the lower end of the range for the subject. In addition, it is noted that the two sales at the lower end of the range have proximity to the subject. Considering all factors, the estimated value of the subject based on the sales comparison approach is

17,445 Square Feet @ ██████ Per Square Foot = ██████ (R).

RECONCILIATION AND FINAL ESTIMATE OF VALUE

The cost approach is limited as a value indicator by the difficulty in measuring accrued depreciation as properties age. This is a significant factor in this instance due to the age of the improvements, with considerable potential for improper estimation of the accrued depreciation, which could result in a misleading value estimate. As a result, the cost approach has therefore been omitted from the valuation process in this instance. The development of the cost approach might potentially result in a different value estimate than that developed in this appraisal, but the development of the approach is not considered to represent a necessity for the development of a reliable appraisal and the omission of the approach is not considered to result in a misleading value estimate.

The income capitalization approach is often the primary decision making tool for investment decisions involving income producing property. The income capitalization approach would therefore typically be considered in the valuation process. In this instance, the subject is owner occupied, with no historical income and expense data attributable to the subject property. There is a very limited rental market for this type property in the area from which to develop the approach, and rental data involving highly comparable properties is limited. A greater weakness influencing the approach in this instance is due to the thought process of the market. This type property is typically purchased for owner occupancy rather than based on its rental income stream. The income capitalization approach has therefore been omitted from the valuation process in this instance. The development of the income capitalization approach might potentially result in a different value estimate than that developed in this appraisal, but the development of the approach is not considered to represent a necessity for the development of a reliable appraisal and the omission of the approach is not considered to result in a misleading value estimate.

The sales comparison approach is a highly reliable indicator of value for real estate in the presence of sufficient market data. It is limited in this instance by the absence of a large number of sales, although reasonably good data was available on a regional basis. Considering all factors, it is the appraiser's opinion that the market value of the subject property, as of February 20, 2019, was



Finally, it is noted that this value estimate reflects the estimated value as of the effective date of the appraisal. Property values over the last several years have been heavily impacted by the low interest rate environment, improving the affordability of real estate and enhancing the value for most properties in relation to the income producing potential of the property. The current trend is for increases in interest rates in the debt market, but rates have thus far remained relatively low. The increases in rates do not yet appear to have had a dramatic impact on property values, however this may be attributable to the relatively illiquid market, with limited activity. It is not realistic to assume that increasing interest rates will have no impact on the real estate market. The current moderate rate of increases in rates is recognized, however the long term impact of rising interest rates cannot be accurately projected. Furthermore, should interest rates increase significantly, it could potentially cause a dramatic decrease in property values.

COMPARABLE MARKET DATA

IMPROVED SALE NO. 1



Property Identification & Sale Data

Address: 1301 Broadway, Paducah, Kentucky 42001
Sale Price: \$550,000
Sale Price/SF GBA: \$27.24
Sale Date: 07-13-2018
Grantor: Susan K. Mueller and as Administratrix of the John W. Harris Estate
Grantee: Murt Properties, LLC
Data Source/Verification: DB 1369 P 697/MLS #96176/Sale Contract/Grantee
Financing: Cash equivalent
Tax ID Number: 7-2-4-11

Physical Data

Site Size: 1.88 Acres or 81,720 SF
Zoning: B-3, General Business
Gross Building Area: 20,192 Square Feet
Basement: None
Effective Age/Year Built: 45 years 1972
Exterior Walls: Brick veneer
Building Condition: Below Average
Construction Quality/Class: Average/C - Masonry
Heating/Air Conditioning: Forced warm air/Central air conditioning

Sale Analysis

Site Contribution: \$250,000 (\$3.06/SF)
Building Contribution: \$300,000 (\$14.86/SF)
Site Improvement Contribution: \$0
Replacement Cost New: \$2,500,000
Depreciation Rate: 88%

Remarks: 1 story, class C office with brick veneer siding. Part of the building had raised flooring and extra HVAC for computers. The building was designed for multi-tenant use, but had been occupied by a single tenant for several years. It includes an interior hallway, with a gross building area of 20,192 square feet and a rentable area of 19,230 square feet. The property had previously been purchased at a voluntary auction for \$467,500, on September 13, 2011, as recorded in Deed Book 1,216, page 513, after having been listed for sale for \$950,000 and then \$899,000. After the purchase, the buyer changed plans and listed the property for sale for \$725,000 in 2013, eventually reducing the price to \$625,000. The building had a dated interior and was purchased in anticipation of leasing the property for \$147,600 per year, after spending \$750,000 on renovations.

IMPROVED SALE NO. 2



Property Identification & Sale Data

Address: 2550 Irvin Cobb Drive, Paducah, Kentucky 42003
Sale Price: \$1,000,000
Sale Price/SF GBA: \$62.59
Sale Date: 12-08-2015
Grantor: Aggregate Properties of Paducah, LLC
Grantee: Community Financial Services Bank
Data Source/Verification: DB 1313 P 300/Randall Blackburn, Grantee
Financing: Cash equivalent
Tax ID Number: 6-6-5

Physical Data

Site Size: 6.07 Acres or 264,296 SF
Zoning: M-1, Light Industrial
Gross Building Area: 15,978 Square Feet
Basement: None
Effective Age/Year Built: 35 years 1967
Exterior Walls: Brick veneer & concrete block
Building Condition: Average
Construction Quality/Class: Above Average/C - Masonry
Heating/Air Conditioning: Forced warm air/Central air conditioning

Sale Analysis

Site Contribution: \$500,000 (\$1.89/SF)
Building Contribution: \$475,000 (\$29.73/SF)
Site Improvement Contribution: \$25,000
Replacement Cost New: \$1,800,000
Depreciation Rate: 74%

Remarks: 1 story, relatively good quality, class C, single-tenant office. The building is fully sprinkled. It includes offices, lab space & storage space. Building built in 1967, but had periodic remodeling. The site extends along Irvin Cobb Drive, from Locust Street to Tully Street. See Tracts 1 & 2, Plat Section J, Slide 15. Previous sale for \$1,033,750, on January 30, 2007, as recorded in Deed Book 1,113, page 542.

IMPROVED SALE NO. 3



Property Identification & Sale Data

Address: 230-234 Frederica Street, Owensboro, Kentucky 42303
Sale Price: \$2,200,000
Sale Price/SF GBA: \$32.23
Sale Date: 05-01-2016
Grantor: Owensboro National Bank/BB&T
Grantee: S & P Development, LLC
Data Source/Verification: DB 963 P 804/Assessor/Deed Certification
Financing: Cash equivalent
Tax ID Number: 6-1-10-1, 6-1-10-6, 6-1-10-8, 6-1-10-11, 6-1-10-12, 6-1-10-12A, 4-16-6-23

Physical Data

Site Size: 1.30 Acres or 56,672 SF
Zoning: B-2, Central Business Zone
Gross Building Area: 69,376 Square Feet
Basement: None
Effective Age/Year Built: 47 years 1969
Exterior Walls: Brick
Building Condition: Average
Construction Quality/Class: Average/C - Masonry and S - Steel Frame
Heating/Air Conditioning: Forced warm air/Central air conditioning

Sale Analysis

Gross Income: \$204,500
Gross Income Multiplier: 10.760
Site Contribution: \$700,000 (\$12.86/SF)
Building Contribution: \$1,475,000 (\$21.61/SF)
Site Improvement Contribution: \$25,000
Replacement Cost New: \$7,500,000
Depreciation Rate: 80%

Remarks: 5 story, class B, multi-tenant office building. Building was built in 1969 but had periodic remodeling. The property includes approximately 1.25 acres of support land for the improvements as well as another tract at the corner of Frederica Street and Emory Drive, which includes approximately 0.55 acre. The property had originally been constructed for use as a bank but the bank downsized and relocated, with the property purchased for renovation into retail space on the first floor, office space on floors 2 through 4, and office or condominium use on the upper level.

IMPROVED SALE NO. 4



Property Identification & Sale Data

Address: 1001 Frederica Street, Owensboro, Kentucky 42301
Sale Price: \$475,000
Sale Price/SF GBA: \$33.96
Sale Date: 07-01-2015
Grantor: Bryant Commercial Multiple, LLC
Grantee: Big River Rubber & Gasket, Inc.
Data Source/Verification: DB 951 P 611/Assessor/Deed Certification
Financing: Cash equivalent
Tax ID Number: 002-01-01-003-00-000

Physical Data

Site Size: 0.39 Acres or 17,010 SF
Zoning: B-4, General Business District
Gross Building Area: 13,986 Square Feet
Basement: None
Effective Age/Year Built: 40 years
Exterior Walls: Brick veneer and concrete
Building Condition: Average
Construction Quality/Class: Average/C - Masonry
Heating/Air Conditioning: Forced warm air/Central air conditioning

Sale Analysis

Site Contribution: \$120,000 (\$7.05/SF)
Building Contribution: \$350,000 (\$25.03/SF)
Site Improvement Contribution: \$5,000
Replacement Cost New: \$1,400,000
Depreciation Rate: 75%

Remarks: 3 story multi-tenant office building. The building had periodic upgrades. The property extends along Frederica Street, between 10th Street and 11th Street. The property was used as a multi-tenant building at the time of sale, with average rental rates of \$8.00-\$9.00 per square foot but was purchased by adjacent landowner for long term single-tenant use. Later Deed of Correction, October 2015, as recorded in Deed Book 955, page 770.

PHOTOGRAPHS OF SUBJECT

PHOTOGRAPHS OF SUBJECT



FRONT & EAST SIDE OF BUILDING 1 (Photo Taken February 20, 2019)



FRONT & WEST SIDE OF BUILDING 1 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



REAR & EAST SIDE OF BUILDING 1 (Photo Taken February 20, 2019)



REAR & WEST SIDE OF BUILDING 1 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



FRONT & EAST SIDE OF BUILDING 2 (Photo Taken February 20, 2019)



FRONT & WEST SIDE OF BUILDING 2 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



REAR & EAST SIDE OF BUILDING 2 (Photo Taken February 20, 2019)



REAR & WEST SIDE OF BUILDING 2 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



FRONT & EAST SIDE OF BUILDING 3 (Photo Taken February 20, 2019)



FRONT & WEST SIDE OF BUILDING 3 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



REAR & EAST SIDE OF BUILDING 3 (Photo Taken February 20, 2019)



REAR & WEST SIDE OF BUILDING 3 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



INTERIOR OF BUILDING 1 (Photo Taken February 20, 2019)



INTERIOR OF BUILDING 1 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



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PHOTOGRAPHS OF SUBJECT

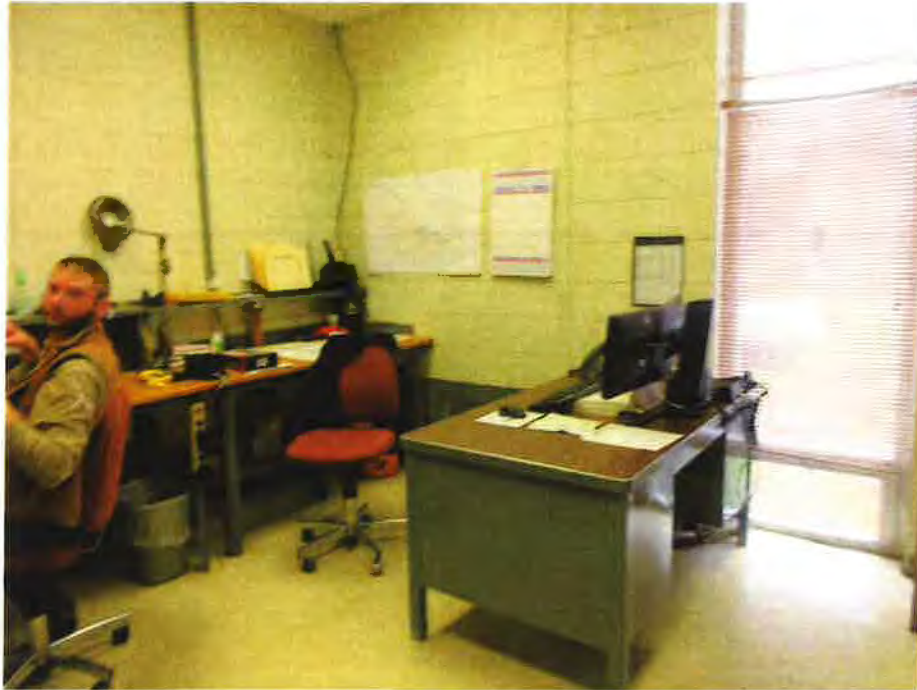


INTERIOR OF BUILDING 1 (Photo Taken February 20, 2019)



INTERIOR OF BUILDING 1 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT

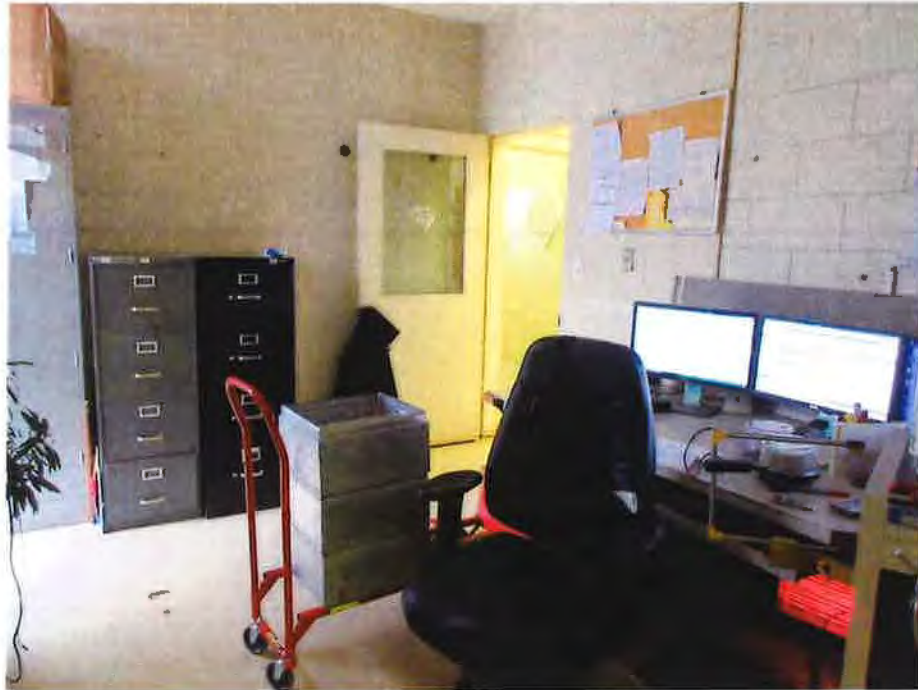


INTERIOR OF BUILDING 2 (Photo Taken February 20, 2019)



INTERIOR OF BUILDING 2 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



INTERIOR OF BUILDING 2 (Photo Taken February 20, 2019)



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INTERIOR OF BUILDING 3 (Photo Taken February 20, 2019)



INTERIOR OF BUILDING 3 (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



IRVIN COBB DR., FACING NORTHWEST (Photo Taken February 20, 2019)



IRVIN COBB DR., FACING SOUTHEAST (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



BETHEL STREET, FACING NORTHEAST (Photo Taken February 20, 2019)



BETHEL STREET, FACING SOUTHWEST (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



TULLY STREET, FACING NORTHEAST (Photo Taken February 20, 2019)



TULLY STREET, FACING SOUTHWEST (Photo Taken February 20, 2019)

PHOTOGRAPHS OF SUBJECT



POWELL STREET, FACING NORTHWEST (Photo Taken February 20, 2019)



POWELL STREET, FACING SOUTHEAST (Photo Taken February 20, 2019)

ADDENDA

Commonwealth of Kentucky
Kentucky Real Estate Appraisers Board

2018 - 19

Hereby grants a *Certified General Real Property Appraiser*

To Russell Sloan
Sloan Appraisal & Realty Services
2218 Kentucky Avenue
Paducah, KY 42003

License No 335

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS WHEREOF, we have caused the official seal to be fixed and attested for the year shown above.



John G. Kenkel, Jr., Chair
Russ C. Lohan, Vice Chair
Terry L. Bunnell
Neil Tong
M. Alan Hensley

A handwritten signature in black ink, appearing to read "John M. Kelly, Jr.", is written over the printed names of the board members.

This certificate expires 6/30/2019