

AGREEMENT IN LIEU OF TAXES

This Agreement is made effective as of the ____ day of _____, 2025, by and among the City of Covington, Kentucky (the “City”), the County of Kenton, Kentucky (the “County”), the Covington Independent School District (the "School District"), and Merus LLC, an Ohio limited liability company (“Merus”) and Urban Sites Capital Advisors, LLC, an Ohio limited liability company (“Urban Sites” and together with Merus, collectively the “Developer”):

WITNESSETH

WHEREAS, the Developer owns certain fee air-space and at-grade parcels located at 1840 Simon Kenton Way, Covington, KY 41011, Kenton County PID No. _____ and _____, as is more particularly described in Exhibit A, attached hereto (“Property”), and plans to renovate and rehabilitate the Property as a multi-family housing project (“Project”).

WHEREAS, the City has determined that the Project will stimulate economic development by:

1. Adding new state-of-the-art multi-family housing building containing approximately 125 units,
2. Improving property values, and
3. Stimulating economic activity at nearby existing businesses through increased spending,

WHEREAS, the City intends to issue Industrial Building Revenue Bonds (the “Bonds”) to finance the construction of the Project and in conjunction therewith proposes to enter into this Agreement; and

WHEREAS, the County and School District are interested in promoting economic development and employment opportunities within its boundaries and are willing to assist the

City and the Developer in their efforts provided adequate payments in lieu of taxes are provided for; and _____

WHEREAS, the Developer and the City have entered (or will enter) into a development agreement, for the City to authorize, issue, and sell the Bonds in the aggregate amount not to exceed \$20 million pursuant to KRS 103.200 through 103.285, to finance the construction of the Project; and

WHEREAS, the economic incentive to the Developer by virtue of the issuance of the Bonds is the abatement of real estate *ad valorem* taxes with respect to the Project; and

WHEREAS, the City, County, and School District have agreed to the abatement of certain real estate *ad valorem* taxes and the Developer has agreed to make payments in lieu of taxes to the School District, the County and the City and to that effect now wish to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter contained, the parties hereto agree as follows:

1. The City, the County, the School District, and the Developer hereafter confirm and affirm the accuracy of the Recitals contained above and those contained herein. The Kenton County Property Valuation Administrator (the "PVA") is responsible for establishing assessed values of real estate within Kenton County for the purpose of imposing real estate *ad valorem* taxes.

(a) Upon the issuance of the Bonds, the Project will be exempt from real estate *ad valorem* taxes pursuant to the provisions of Section 103.285 of the Kentucky Revised Statutes.

(b) During the term of the Bonds, the Developer will pay to the School District, the County, and the City annual payments in lieu of taxes in accordance with the schedule attached as Exhibit B to this Agreement.

(c) The Developer will make the payments in lieu of taxes provided for in this Agreement by _____ on an annual basis, commencing the first full tax year after the certificate of occupancy for the Property is issued.

(d) Upon the earlier of the date on which the Bonds mature or the date on which the Bonds are no longer outstanding, the Developer will pay to the School, the County, the City (and other taxing authorities) *ad valorem* taxes on the Project at the tax rates established at that time on an annual basis in accordance with the assessments on the Project determined by the PVA.

The City, but not the Developer, shall have the right in its sole discretion to appeal the fair cash assessment of the Property and the Project to the PVA . Developer may reasonably request for the City to challenge a materially increased assessment, which request the City shall review in good faith. If the City challenges the value assigned by the PVA for any year, and that challenge continues without resolution later than ninety (90) days following such a challenge, the Developer shall still make a timely payment to the City, based on the value assigned by the PVA for the previous assessment period. If the City challenges the value assigned by the PVA for any year, and if that challenge results in an increased assessment amount, payments in lieu of taxes shall be based upon the new assessment. If the City challenges the value assigned by the PVA for any year, and if that challenge results in a decreased assessment amount, the School District, County, and City will rebate the difference to the Developer.

(e) Even though the title to the Property will be held by the City for the term of the Bonds, for purposes of this Agreement in Lieu of Taxes, the PVA will continue to assess the Real Estate in the future in the same manner as it does with other real estate located in Kenton County, Kentucky, that is not owned by governmental entities.

2. On or before January 1 of the year immediately following the date upon which a Certificate of Occupancy has been issued for the Property, the Developer shall request that the PVA establish a value for the Property (the "Constructed Assessment Date"). Developer shall provide a copy of the request to the City simultaneously with the request to the PVA.

3. At least thirty (30) days prior to the Constructed Assessment Date, the Developer will provide the PVA and the City with the American Institute of Architect documents and site plans and any related documents requested by the PVA's commercial staff to enable the PVA to establish an assessed value of the Property.

4. Other than the *ad valorem* taxes discussed herein, this Agreement does not affect or apply to any other taxes or fees that may be owed the Developer (or its assignees or tenants) to the City, the County, the School District or other taxing authorities. Developer acknowledges that this Agreement is not inconsistent or will not conflict with the Bond Placement Agreement, the Trust Indenture, the Financing Agreement, or the Lease Agreement executed or to be executed in connection with the Bonds.

5. It is further understood by the parties that the final maturity date of the Bonds shall not exceed twenty (20) years from their date of issuance.

6. The parties acknowledge Developer's upfront payment of one percent (1%) of the face value of the Bonds paid to the City as of the date hereof.

7. All notices sent to the Developer shall be sent to:

Merus LLC

Attn: Legal Services
302 W 3rd St., Ste. 300
Cincinnati, OH 45202

And to:

Urban Sites Capital Advisors, LLC
1140 Main St., Ste. 300
Cincinnati, OH 45202

All Notices sent to the City shall be sent to:

City of Covington, Kentucky
20 W. Pike Street
Covington, Kentucky 41011
Attn: City Manager

All notices sent to the School Board shall be sent to:

Covington Independent School District
Superintendent
25 E. 7th Street
Covington, Kentucky 41071
Attn: Treasurer

All Notices sent to the County shall be sent to:

County of Kenton, Kentucky
1840 Simon Kenton Way
Covington, Kentucky 41011
Attn: County Judge/Executive

8. Modification. This Agreement in in Lieu of Taxes may not be changed orally, but only by an agreement in writing executed by the City, the County, the School District and the Developer.

9. Assignment: This Agreement may not be assigned by either party absent prior written consent of both parties, which shall not be unreasonably withheld, conditioned, or delayed and which shall be appended to this Agreement as an amendment. Notwithstanding the foregoing, Developer may assign its rights and obligations under this Agreement to an affiliated entity of Developer, an entity that is formed to develop the Project controlled by the Developer,

or to any lender that may provide financing to construct the Project, provided that Developer gives notice hereunder and that the assignee shall assume all assigned liabilities and obligations of the Developer hereunder. In addition, so long as all payments due and owing are made at the time of such assignment and the third-party assignee has, in the City's reasonable determination, comparable experience and financial capacity as the Developer with the ownership and operation of mixed-use commercial/residential projects, and shall assume all assigned liabilities and obligations of the Developer hereunder, Developer shall be permitted to assign this Agreement to the third-party assignee upon forty-five (45) days' written notice to the City. Except for attorneys' fees and costs actually incurred in connection with an assignment of this Agreement, Developer shall not be charged any fee(s) by the City, the County, or the School District in connection with any assignment of this Agreement.

Developer shall provide the City, the County, and the School District with forty-five (45) days advance written notice of Developer's intention to assign any collateral agreements, including without limitation, mortgages and assignments of rents granted to third party lenders and, in the event that such notice is timely made, the City, the County and/or the School District shall consent to such assignment(s), which consent shall not be unreasonable withheld, conditioned, or delayed. In the event that the parties agree to the assignment the Developer shall, as part of the assignment, require that the assignee execute an assumption agreement, assuming all obligations of the Developer under this Agreement. Prior to any effective date of the assignment, Developer shall warrant that it is current on all payments owed to the School District, the County and the City under this Agreement and Developer shall fully pay any arrearages remaining on the PILOTs owed to the School District, the County, and/or the City.

10. Default. In the event of default in payment as required herein to either the City, the County, or the School District, or either, which is not cured by the Developer within ninety (90) days, then and in that event, it is agreed that the PILOT shall become null and void as of the tax year of the default in payment, and that from that point on, the Developer shall pay amounts equal to one hundred (100%) percent of the amount of ad valorem property tax payments that the City, the County, and the School District would have derived from the Project but for the exemption of the Project from ad valorem taxation pursuant to the provisions of Section 103.285 of the Kentucky Revised Statutes. It is further agreed that Developer will pay all costs of collections, including the City's, the County's, and the School District's reasonable attorney fees, in the event of default.

In the event that the Developer defaults on any payment owed under this Agreement, the City, the County, or the School District shall notify Developer that it is in default and give Developer ninety (90) days to cure the default. In the event that the default is not cured within ninety (90) days, the School District, the County, or the City, shall notify the Developer and the PVA that the property is no longer subject to tax exemption and the full amount of ad valorem taxes owed to the School District, the County, and/or the City shall be assessed, starting in the tax year of the default.

11. Effect of Bankruptcy. In the event that the Developer or its assigns shall file a voluntary action seeking relief under applicable bankruptcy laws, or have an involuntary action filed against it seeking such relief, then and in that event, it is agreed that all payments required by this Agreement shall be treated the same as if there were ad valorem taxes under applicable Kentucky law, giving said payments and obligations preference over all other secured and unsecured creditors.

12. Legally Binding. This Agreement is legally binding upon the parties, the Developer, its officers, affiliates, shareholders successors in interests, employees, and agents, and assigns, and upon the School District, its School Board, Superintendent, officers, employees and agents, and the City, its Board of Commissioners, officers, employees and agents, and upon the County, its Fiscal Court, officers, employees and agents.

13. Governing Law and Jurisdiction. The parties agree that this Agreement is governed by the laws of the Commonwealth of Kentucky. Any action taken by either party to enforce or seek relief from the terms and conditions of this Agreement shall be brought in the Kenton Circuit Court.

14. No Third Party Beneficiaries. This Agreement is between the undersigned parties only, and the benefits and obligations hereunder inure only to the undersigned parties, and to the extent set forth in this Agreement. There are no intended nor unintended third party beneficiaries to this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties, after being duly authorized, have hereunto set their hands on the date and year first set forth herein, to be effective as of the day and date first written above.

CITY OF COVINGTON, KENTUCKY

By: _____
Ronald L. Washington, Mayor

COVINGTON INDEPENDENT SCHOOL DISTRICT

By: _____
Alvin Garrison, Superintendent

COUNTY OF KENTON, KENTUCKY

By: _____
Kris Knochelmann, County Judge/Executive

MERUS LLC,
an Ohio limited liability company

By: _____
Print: _____
Title: _____

URBAN SITES CAPITAL ADVISORS, LLC,
an Ohio limited liability company

By: _____
Print: _____
Title: _____

EXHIBIT A

PLAT OF PROJECT PROPERTY

[See Attached]

EXHIBIT B

BAVARIAN APARTMENTS PROJECT

PILOT PAYMENT SCHEDULE

The Pilot Payments per calendar year will be the amount of ad valorem taxes which would have been payable with respect to the Property if the Developer held legal title thereto, multiplied by the percentages of such ad valorem taxes (the "Pilot Payment Percentage") for each Taxing District, as follows:

Taxing District	Pilot Percentage
City of Covington	30% for years 1 – 10 50% for years 11-15 80% for years 16 - 20
Kenton County	30% for years 1 – 10 30% for years 11-15 30% for years 16 - 20
Covington Independent School District	30% for years 1 – 10 50% for years 11-15 80% for years 16 - 20