

SCHOOL PAYMENT IN LIEU OF TAXES AGREEMENT

This SCHOOL PAYMENT IN LIEU OF TAXES AGREEMENT (“Agreement”) is made as of _____, 2026, by and among:

- (a) the Lexington-Fayette Urban County Government, a Kentucky urban-county government established pursuant to the provisions of Chapter 67A of the Kentucky Revised Statutes (“KRS” and the “County”);
- (b) the Fayette County School District, Kentucky, a body politic and corporate of the Commonwealth of Kentucky (the “School District”); and
- (c) UCD Midland, LLC, a Kentucky limited liability company (“Company” and together with the County and the School District, collectively referred to herein as the “Parties”)

RECITALS

WHEREAS, The Company is currently acquiring, constructing, installing, and equipping the Midland Station Residential Development Project, a project consisting of the facilities and properties described in Attachment A attached hereto (“Project”), the Project being located within the County; and

WHEREAS, The Project represents new investment and is expected to promote economic development within the County; and

WHEREAS, On _____, 2026 the County adopted an ordinance (“Ordinance”) providing for, among other things, the issuance of taxable industrial building revenue bonds over a period of years in an aggregate principal amount of up to _____ (“Bonds”) for the benefit of the Company, its affiliates and assigns, pursuant to KRS 103.200 through 103.285, inclusive, (“Act”), to finance the Company’s acquisition, construction, installation, and equipping of the Project, to acquire title to the Project, and to lease said Project back to the Company, all pursuant to the Act; and

WHEREAS, The County and the Company have agreed that title to the Project will be conveyed to the County and leased back to the Company, pursuant to the Act, so long as the Bonds are outstanding; and

WHEREAS, the Fayette County School District, by and through the Board of Education of Fayette County, Kentucky (the “Board of Education”), is a body politic and corporate existing under KRS 160.160 and has the authority under KRS 160.460 through 160.476 to levy *ad valorem* taxes for school purposes on all property subject to local taxation with a taxable situs in the School District (“School Property Taxes”); and

WHEREAS, as a condition of the County’s agreement to enter into the documents necessary to vest title to the Project in the County and to effect the lease of the Project to the

Company, the Company has agreed to make certain payments to the School District in lieu of School Property Taxes and to enter into this Agreement with respect thereto;

NOW, THEREFORE, in consideration of the foregoing, the mutual agreement of the Parties contained herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Recitals Incorporated. It is hereby found, determined, and declared that the recitals set forth in the preambles to this Agreement, including the definitions contained therein, are true and correct and are hereby incorporated in this Section 1 by reference.

Section 2. Project Exempt from Taxation. It is understood, acknowledged, and agreed by the Parties that pursuant to KRS 103.285, upon the issuance and sale of the Bonds, the conveyance of the Project to the County, and the execution and delivery of the Bond lease, the Project will be exempt from *ad valorem* taxes assessed by the Board of Education, the County, and other political subdivisions in Kentucky to the same extent as other public property used for public purposes, so long as same is owned by the County and any balance remains outstanding on the Bonds. It is further understood, acknowledged, and agreed by the parties that:

- (a) upon issuance of the Bonds or any series thereof (i) the Company's leasehold interest is exempt from local taxation and (ii) any proportion of the value of the leasehold interest created through any private financing is taxable at applicable state and local tax rates; and
- (b) the recording of the Lease Agreement or Lease Agreements or a memorandum thereof with the County Clerk of Fayette County, Kentucky shall constitute the listing of the associated taxable leasehold interest in real property created thereby pursuant to KRS 132.220; and
- (c) 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 by the Company to the School District, the County, or any other taxing authorities.

The Company agrees annually to list any taxable leasehold interest in tangible personal property created by the Lease Agreement or Lease Agreements by listing such interest on and filing a Form 62A500 (Tangible Personal Property Tax Return).

Section 3. Agreement to Make PILOT Payments. In consideration of the County's agreement to issue the Bonds and take all other actions authorized by the Ordinance, the Company hereby agrees that in each calendar year during the term of this Agreement beginning on and after the first January 1st assessment date following issuance of the Bonds (each an "Assessment Date") that the County owns the Project or any portion thereof, the Company shall make a payment to the School District computed as indicated below for each of the up to ten (10) Assessment Dates during the term of said Bonds or each series thereof unless this Agreement is earlier terminated (each, a "PILOT Payment" and together, the "PILOT Payments").

Assessment Date after Issuance	PILOT Payment
1	\$34,188
2	\$34,287
3	\$46,631
4	\$59,454
5	\$72,772
6	\$86,599
7	\$100,949
8	\$115,839
9	\$131,284
10	\$133,910

Section 4. Timing of PILOT Payments. Any PILOT Payment payable in any calendar year hereunder shall be paid at the same time and in the same manner as School Property Taxes for such calendar year, except that the Company shall deliver their PILOT Payment directly to the School District at the address provided in Section 9 below, instead of the regular tax collector. Each PILOT Payment shall be due and payable in full no later than two (2) months from the date the bill for the School Property Taxes is issued in accordance with KRS 134.015; provided, however, if the Company pays a PILOT Payment to the School District on or before any discount date established pursuant to KRS 134.015, the Company may reduce its PILOT Payment by the corresponding discount percentage, and provided further that if a Company pays a PILOT Payment to the School District after the due date established pursuant to KRS 134.015, that Company shall increase the PILOT Payment by the corresponding penalty percentage.

Section 5. Termination. Notwithstanding any other provision herein and with the exception of Sections 1 and 2 hereof and any PILOT Payments owed for prior Assessment Dates, this Agreement shall terminate on the day immediately following the earlier to occur of either (a) the first date that title to the Project is no longer held by the County or (b) the first date that no Bonds issued by the County pursuant to the Ordinance remain issued and outstanding. Following termination of this Agreement, the Company will pay to the Board of Education, the County, and any 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.

Section 6. Default. In the event of default in payment by the Company as provided for herein, the School District or the County shall notify the Company that it is in default and give the Company thirty (30) days to cure the default. In the event that the Company fails to cure the default in payment, 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 Company shall pay amounts equal to one hundred (100%) percent of the amount of the *ad valorem* tax payments that the School District

and the County would have derived from the Project but for the exemption of the Project from *ad valorem* taxes as provided herein in Section 2. It is further agreed that in the event of default, the Company will pay all costs of collections, including the Board of Education's and the County's reasonable attorney fees.

Section 7. Assignment. This Agreement may not be assigned by either party absent prior written consent of the Parties, which shall be appended to this Agreement as an Amendment, except to an entity organized to develop the Project and controlled by the Company. In the event that the parties agree to the assignment, the Company shall, as part of the assignment, require that the assignee execute an assumption agreement assuming all obligations of the Company under this Agreement. Prior to any effective date of the assignment, the Company shall warrant that it is current on all payments owed to the School District and the County under this Agreement and the Company shall fully pay any arrearages remaining on the PILOTS owed to the School District and the County.

Section 8. Bankruptcy. In the event that the Company or its assigns file a voluntary action seeking relief under applicable bankruptcy laws, or have an involuntary action filed against the Company or its assigns 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.

Section 9. Notices and Payments. All notices, certificates, payments or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed, postage prepaid, addressed as follows:

To the County: Finance Commissioner
Lexington-Fayette Urban County Government
200 E. Main Street
Lexington, KY 40507

To the Company: UCD Midland, LLC
128 S. Hanover Avenue
Lexington, KY 40502

To the School District: Superintendent
Fayette County Public Schools
450 Park Place
Lexington, KY 40511

The Parties may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates, payments or other communications shall be sent.

Section 10. No Third-Party Beneficiaries. This Agreement is between the Parties, and the benefits and obligations hereunder inure only to the Parties, and to the extent set forth in this Agreement. There are no intended nor unintended third-party beneficiaries to this Agreement.

Section 11. Entire Agreement. This Agreement between the County, the School District and the Company dated _____, 2026, contains all of the agreements and conditions made between the Parties regarding the subject matter of this Agreement and there are no other agreements or understandings, written or oral, between the Parties relating to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, written and oral, between the Parties with respect to such subject matter. This Agreement may not be modified orally or in any other manner than by an agreement in writing signed by the Parties or their respective successors in interest. The invalidity, illegality, or unenforceability of any provision of this Agreement will not affect the validity, legality, or enforceability of the remaining provisions.

Section 12. Written Statement of Assurance; Reliance by the State Local Debt Officer. This Agreement and its execution by the County and the School District constitute the written statement of assurance that the County and the School District are in agreement with the negotiated financial arrangement with the Company for purposes of KRS 103.2101(6) and may be relied upon by the State Local Debt Officer.

Section 13. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the School District, the Company, and their respective successors and assigns.

Section 14. Execution In Counterparts. This Agreement may be signed by each party upon a separate copy or separate signature page, and any combination of separate copies signed by all Parties or including signature pages so signed will constitute a single counterpart of this Agreement. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. It will not be necessary, in proving this Agreement in any proceeding, to produce or account for more than one counterpart of this Agreement. This Agreement will become effective when one or more counterparts have been signed by each party, and delivered to the other Parties, respectively. Any party may deliver an executed copy of this Agreement (and an executed copy of any documents contemplated by this Agreement) by facsimile transmission to another party or e-mailed .pdf files of scanned copies bearing their respective signatures, and such delivery will have the same force and effect as any other delivery of a manually signed copy of this Agreement (or such other document).

Section 15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. Any action taken by any party to enforce or seek relief from the terms and conditions of this Agreement shall be brought in the Fayette Circuit Court.

Section 16. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

[Signature page immediately follows]

[SIGNATURE PAGE TO SCHOOL PILOT AGREEMENT]

IN WITNESS WHEREOF, the County, the School District, and the Company have caused this School Payment In Lieu of Taxes Agreement to be executed in their respective names as of the date first written above.

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

BY: _____
Mayor of Lexington

Attest:

BY: _____
Clerk, Urban County Council

UCD MIDLAND, LLC,
a Kentucky limited liability company

BY: UDC 1, LLC,
a Kentucky limited liability company

BY: _____
Scott Shapiro, Member

FAYETTE COUNTY SCHOOL DISTRICT

BY: _____
Superintendent

ATTACHMENT A

[PROJECT DESCRIPTION]

Attachment A, Page 1

Midland Station is a residential infill development that will provide market-rate workforce housing along a major corridor in Lexington's downtown.

Situated within the city's infill and redevelopment zone at the intersection of Midland Avenue and Winchester Road, Midland Station will consist of two five-story buildings on a triangle-shaped 3.75-acre site. The highly visible corner, now vacant, was formerly the site of Lexington Cut Stone and a large open-air shed.

A significant majority of Midland Station's 258 apartments fit within the workforce housing definition — affordable by those with incomes between 80% and 120% of area median income.

The Midland Station project will conform to Lexington's Comprehensive Plan for the area, with two buildings oriented toward the front of the property, close to the sidewalk and street. Parking for 270 cars will largely be hidden inside the buildings and in the site's rear. Windows and a commercial space will fill the buildings' ground floors, creating a pedestrian-friendly facade along Midland and Winchester.

At the city's request, the developers have designed a wide sidewalk and public space in front of the property to accommodate Lexington's Brighton-Liberty trail as it meets the Town Branch Trail across the street. The developers also agreed to provide a bench for the Lextran bus stop along the front of the property. Together, these elements are reflections of the development's commitment to multi-modal transportation, making it easy for Midland Station residents to walk or bike to downtown or UK along the Town Branch trail, take the bus to Hamburg, or walk along the Brighton-Liberty trail to the Warehouse Block entertainment district.

To ready this project for construction, UCD Midland assembled two parcels of land and underwent the kind of extensive remediation efforts that often come with infill properties. As part of that effort, two title issues were fixed, underground gas tanks were removed, the CSX rail line easement at the rear of the property was extinguished, a brownfield agreement with the state was secured, decaying buildings were demolished, and the site was re-zoned to better match Lexington's Comprehensive Plan for the corridor. The project's final development plan was approved by the planning department in November, 2025.