MASTER DEVELOPMENT AGREEMENT

THIS MASTER DEVELOPMENT AGREEMENT (this "AGREEMENT") dated the 22 day of March, 2018 (the "Effective Date") by and among the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, an urban county government of the Commonwealth of Kentucky ("LFUCG"), and the DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the "Agency"), and the UNIVERSITY OF KENTUCKY, an instrumentality of the Commonwealth of Kentucky ("Developer");

RECITALS

Whereas, pursuant to the Act, as hereinafter defined, LFUCG by Ordinance No. 20-2018 (the "Development Area Ordinance"), adopted on MAR 2 2 2018, established The Coldstream Research Campus Development Area (the "Development Area") and pledged certain LFUCG Incremental Revenues, through the execution of a local participation agreement as provided in the Act, dated MAR 2 2 2018 (the "Local Participation Agreement") to pay for project costs and redevelopment assistance within the Development Area as more specifically identified within the Local Participation Agreement, a copy of which is attached as Exhibit "B " to the Development Area Ordinance; and

Whereas, in the Development Area Ordinance, LFUCG established the Agency as its agency and instrumentality and constituted authority for the purpose of performing functions related to the oversight, administration, and implementation of the Development Area Ordinance and Local Participation Agreement on behalf of LFUCG; and

Whereas, the development planned within the Development Area is the Coldstream Research Campus Project (the "Project"), which will be a mixed-use project consisting of residential, retail, restaurant, laboratory, incubator space, hotel, office, and similar appropriate

uses, together with related public infrastructure, and more specifically described in Exhibit "B" attached hereto; and

Whereas, LFUCG recognizes that the development of the Development Area and the construction of Project, as contemplated by the terms of this Agreement, will not occur without a public-private partnership and financial assistance provided to the Project by LFUCG and the Commonwealth of Kentucky (the "State"); and

Whereas, LFUCG and Developer intend to enter into a Memorandum of Understanding relating to the swap of real property within the Coldstream Research Campus (the "MOU") that is necessary for the development of the Project; and

Whereas, the Parties desire to set forth their mutual agreements, understandings and obligations, in order to facilitate the design, financing, development and construction of the Development Area and the Project.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, and in consideration of the premises and the mutual covenants and undertakings contained in this Agreement, the Parties hereby agree and covenant as follows:

SECTION I
Preambles

The Parties hereto agree that the above "preambles" or "preamble clauses" (the above "Recitals") are incorporated herein by reference as if fully restated herein and form a part of the agreement between the parties hereto.

SECTION II
Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

A. "Act". Shall mean KRS 65.7041 to KRS 65.7083 and KRS 154.30-010 to KRS 154.30-090, relating to tax increment financing of projects to promote economic development.

B. "Affiliate". Shall mean a corporation or other entity controlled by, controlling or under common control of the Developer.

C. "Agency". Shall mean the Department of Finance of the Lexington-Fayette Urban County Government.

D. "Agreement". Shall mean this Master Development Agreement, including all Exhibits attached hereto.

E. "Capital Investment". Shall have the meaning as provided in the Act.

F. "Developer". Shall have the meaning given in the introductory paragraph of this Agreement.

G. "Development Area". Shall have the meaning given in the Recitals to this Agreement and as depicted on Exhibit A.

H. "Effective Date". Shall have the meaning given in the introductory paragraph of this Agreement.

I. "Incremental Revenues". Shall mean the tax revenues pledged to the Development Area by LFUCG as set forth in the Local Participation Agreement, and by the State, acting through KEDFA through the execution of the Tax Incentive Agreement with the Agency.

J. "LFUCG". Shall mean the Lexington-Fayette Urban County Government, an urban county government of the Commonwealth of Kentucky created pursuant to KRS 67A.

K. "Local Participation Agreement". Shall mean the agreement pledging certain LFUCG Incremental Revenues to pay for certain Project Costs within the Development Area as set forth in Local Participation Agreement, authorized by the Development Area Ordinance, or as it may be amended, a copy which is attached as Exhibit "A".

L. "KEDFA". Shall mean the Kentucky Economic Development Finance Authority, which is assigned for administrative purposes to the Kentucky Economic Development Cabinet.

M. "Mixed Use Program". Shall mean the Commonwealth Participation Program for Mixed-Use Redevelopment in Blighted Urban Areas as set forth in the Act at KRS 154.30-060.

N. "Private Project Elements". Shall mean the elements of the Project that shall be privately developed and owned and operated, including, retail, office, residential, restaurants and other commercial aspects of the Project.

O. "Project". Shall mean The Coldstream Research Campus Project within the Development Area, more specifically described in Section IV and Exhibit "C" attached hereto, and which constitutes a mixed-use project in a university research park, and qualifies for a pledge of State Incremental Revenues under the Mixed-Use Program.

P. "Project Costs". Shall mean any capital investment as defined in the Act incurred or expended to undertake the Project.

Q. "Project Financing". Shall mean the financing needed to provide for the development and construction of the Project or any financing received by the Developer that is not from LFUCG or State.

R. "Public Infrastructure Costs". Shall mean the project costs incurred within the Development Area related to the construction and financing of the Project including both Approved Public Infrastructure Costs and Redevelopment Assistance, as each is defined by the Act, reimbursable by Incremental Revenues from the State and LFUCG, respectively, a list of which are attached as Exhibit "C".

S. "State". Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

T. "Tax Incentive Agreement". Shall mean the agreement pledging certain State Incremental Revenues to pay for designated costs within the Development Area which will be set forth in a Tax Incentive Agreement, as it may be amended, by and between the Agency and KEDFA.

U. "Tax Increment Financing" or "TIF". Shall mean the tax increment financing that is created, regulated and administered by the Act, Local Participation Agreement and the Tax Incentive Agreement.

V. "Unavoidable Delays". Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, terrorist action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III
Representations

A. LFUCG and the Agency. LFUCG and Agency possess the requisite authority to enter into this Agreement, and neither LFUCG nor the Agency, in this Agreement or any schedule,

exhibit, document or certificate delivered in accordance with the terms of this Agreement, has made any untrue statement of a material fact or failed to state a material fact.

B. Developer Representations. The Developer represents and warrants that: (i) the Developer (a) is an instrumentality of the Commonwealth of Kentucky possessing the requisite authority to enter into this Agreement; (b) is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code; (c) has not, in this Agreement or any schedule, exhibit, document, or certificate delivered in accordance with the terms of this Agreement, made any untrue statement of a material fact or failed to state a material fact; and (d) would not enter into this Agreement to undertake and construct the Project but for the commitment of LFUCG and the Agency to provide financial and other incentives to the Project as provided in this Agreement; (ii) the execution of this Agreement and the construction of the Project by the Developer will not knowingly violate any applicable statute, law, ordinance, code, rule, or regulation or any restriction or agreement binding upon or otherwise applicable to the Developer; and (iii) there are no undisclosed actions, suits or proceedings pending or threatened against the Developer which would, if adversely determined, have a material effect on the Developer's ability to enter into this Agreement or construct the Project in accordance with this Agreement.

SECTION IV
Project

A. The Project proposed by the Developer or its affiliate is expected to include a variety of stand-alone and mixed-use buildings with residential, retail, restaurant, laboratory, incubator space, hotel, and office uses. The Project is also expected to include public parking options, right-of-way and roadway improvements, new and improved sidewalks/trails and bike paths, utility improvements, public buildings improvements, sewage and drainage system improvements, and various green space and/or park improvements. In order to help ensure the

success and support of the Project and encourage other investment in and related to the Development Area, and to encourage and support development within the territorial limits of Lexington, certain public improvements are needed within the Development Area. The Developer, or its Affiliates, may contract with any company to develop, construct and/or operate the various Private Project Elements, and the Developer shall have the right to assign any rights created by this Agreement to one or more of the Affiliates. The Developer and its Affiliates shall remain in good standing with the Office of the Secretary of State and the Lexington-Fayette Urban County Government (Business License, Payroll Tax, etc.) for the full term of this Agreement. In addition, the Developer and its Affiliates shall provide a listing of their officers and managers to the Commissioner of Finance upon request following the execution of this Agreement, with the current officer and managers of the Developer and its Affiliates being listed on Exhibit "D" attached hereto.

B. The Project shall be financed with Project Financing and equity provided by the Developer, and its Affiliates, subject to the pledge of State and LFUCG Incremental Revenues to reimburse the Developer for certain Capital Investments as set forth in Section V of this Agreement, the Local Participation Agreement, and Tax Incentive Agreement. The Developer shall keep LFUCG informed as to the status of the Project Financing for the Project.

C. The Project shall be constructed in accordance with state requirements that govern the development of property within Kentucky. Developer shall not commence any site improvements without first obtaining the necessary permits and/or approvals from the relevant State government and/or LFUCG agencies.

D. The Developer agrees to proceed expeditiously to complete construction plans and specifications to a level adequate to obtain all permits and approvals necessary to complete construction of the Project.

E. The Developer shall document all Project Costs and Capital Investment, including which costs represent Public Infrastructure Costs associated with construction of the Project, and submit such costs to LFUCG and the Agency in the format to be determined by the Agency and KEDFA, to enable the Agency and LFUCG to comply with its reporting requirements as set forth in the Local Participation Agreement and the Tax Incentive Agreement. Should Developer fail to comply with these reporting requirements and cause the Agency to be unable to comply with the reporting requirements in the Tax Incentive Agreement and/or Local Participation Agreement, the LFUCG, may at its option, suspend any reimbursements due the Developer from Incremental Revenues, until such time as the Developer complies with the such reporting requirements; provided, that after notice the Developer fails to provide the requested information, or repeatedly provides the information late, the LFUCG and Agency may terminate this Agreement, in which case the LFUCG shall provide written notice to the Developer of the termination.

F. The anticipated Public Infrastructure Costs are itemized in Exhibit "C" to this Agreement and are eligible to be fully reimbursed by the Agency according to the terms of the Local Participation Agreement, and it is assumed that a portion of the costs associated with such improvements will be eligible costs for reimbursement from State Incremental Revenues under the Tax Incentive Agreement.

G. The Developer shall assist the Agency in complying with any reporting requirements mandated by the Local Participation Agreement and Tax Incentive Agreement, including assisting in computing the baseline LFUCG and State baseline "old revenues" applicable to the

Development Area, and in calculating the Incremental Revenues that may be due to the Agency for deposit into the Special Fund from LFUCG and the State. The Developer shall include provisions in any Affiliate agreements, construction agreements or leases relating to the construction or operation of the Project, to require the contractors constructing the Project and businesses operating within the Project to provide information, including federal and state tax identification numbers, etc., to the Agency or other information as may be required by the Agency, relating to the LFUCG and State taxes that may be generated from the Project.

H. The Developer agrees to notify the LFUCG, in writing, when it intends to request activation of the TIF and/or if it intends to request an extension or delay of activation of the TIF. The Developer agrees to provide the LFUCG with a statement of Project Costs and expenditures incurred for every six (6) month period upon preliminary approval of the TIF application and prior to activation of the TIF in compliance with the reporting requirements required by the State Tax Incentive Agreement.

I. The Developer, with assistance of LFUCG and the Agency shall prepare the application under the Mixed-Use Program to KEDFA and shall be responsible for paying all application fees, consultant fees, attorney fees or administration fees required by KEDFA, and all out-of-pocket fees and professional fees incurred by LFUCG relating to the establishment of the Development Area and approval of the Tax Incentive Agreement, and any later amendments thereto.

J. The Parties acknowledge and agree that notwithstanding any other provision of this Agreement, that should the swap of real property between the Parties as provided in the MOU not occur, this Development Agreement shall be terminated, provided that Developer shall still be

required to reimburse LFUCG's out of pocket costs related to the establishment of the Development Area and related to the submission of the application to KEDFA.

SECTION V
Priority on the Use of Incremental Revenues

Pursuant to the provisions of the Act and the Local Participation Agreement, LFUCG and the Agency anticipate activating the TIF no later than four (4) years after execution of the Tax Incentive Agreement, which will potentially allow for Incremental Revenues to be available to the Agency beginning in calendar year 2019. In consideration of the Developer constructing the Project and complying with the requirements and conditions of Section IV of this Agreement, LFUCG and the Agency agree that priority for the use of the Incremental Revenues received by the Agency from LFUCG and the State shall be as follows:

A. Each year following the Activation of the Development Area until its termination, an administrative fee in the amount of 2% of the Incremental Revenues deposited into the Special Fund (the "Administrative Costs") annually will be collected from the Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement and shall be retained by the Agency to cover administrative and other expenses incurred by the LFUCG or the Agency for the administration and implementation of the Development Area Ordinance, including complying with any reporting requirements set forth in the Local Participation Agreement and/or Tax Incentive Agreement, and costs for professional services related to implementation of this Agreement.

B. After the annual obligations set forth in Section V(A) of this Agreement have been fully satisfied, and the Developer meeting its obligations set forth in Section IV of this Agreement, Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement shall be annually paid to the Developer to reimburse the

Developer for the Public Infrastructure Costs, as certified by the Developer, but not to exceed $33,100,000, except that the maximum amount of Public Infrastructure Costs that may be reimbursed from LFUCG Incremental Revenues shall be subject to the Reimbursement Cap as set forth in the Local Participation Agreement. No Incremental Revenues shall be paid to the Developer pursuant to this paragraph until the Minimum Capital Investment of $20,000,000 within the Development Area has been certified.

C. After the State gives final approval to the TIF Project, Agency agrees to execute a Tax Incentive Agreement with the State that provides for the pledging of certain State Incremental Revenues to help pay for Public Infrastructure Costs within the Development Area.

D. After the obligations set forth in Section V(A) and (B) of this Agreement have been fully satisfied, Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement may be used by the Agency to pay for other eligible capital costs within the TIF Development Area as set forth in the Local Participation Agreement and/or Tax Incentive Agreement, or LFUCG may, at its option, terminate the Development Area.

E. It is understood by the Parties that after the activation of the TIF any State Incremental Revenues that may be generated and available to be paid by the State to the Agency pursuant to the provisions of the Tax Incentive Agreement, shall be held in escrow without interest accruing thereon, until the Minimum Capital Investment of $20,000,000 in documented Project Costs, required for the release of State Incremental Revenues, are certified as may be provided in the Tax Incentive Agreement. It is further understood that the payment of State Incremental Revenues to the Agency are limited to reimbursement for Public Infrastructure Costs, and other approved costs that will be identified in the Tax Incentive Agreement, that are certified by the Agency to the State and approved by the State.

F. Notwithstanding anything to the contrary, nothing in this Agreement shall be interpreted to commit LFUCG and/or the Agency to pay for or reimburse any Project Costs, except from the Incremental Revenues that may be generated within the Development Area and due to the Agency as provided in the Local Participation Agreement and the Tax Incentive Agreement.

G. The obligations of the Agency to reimburse costs to the Developer as provided in Section V of this Agreement are contingent upon KEDFA approving the Project under the Mixed-Use Program to allow a portion of the Capital Investment costs for Public Infrastructure Costs to be reimbursed with State Incremental Revenues as Approved Public Infrastructure Costs. In addition, any obligations of LFUCG or the Agency to reimburse Project Costs from Incremental Revenues shall terminate in the event the Tax Incentive Agreement is terminated or not renewed as provided in the Act and the Tax Incentive Agreement. However, this Agreement shall continue in full force and effect to reimburse the Developer for Public Infrastructure Improvement costs even if the State reimbursement has reached its maximum cap, as provided in the Tax Incentive Agreement, but subject to the Reimbursement Cap as set forth in the Local Participation Agreement.

SECTION VI
Default

If any Party or any Parties (in either case, the "Defaulting Party") materially breaches or defaults on any of its obligations under this Agreement, the other Parties may give notice that remedial action must be taken by the Defaulting Party within sixty (60) days of the notice. The Defaulting Party shall correct such breach or default within sixty (60) days after such notice; provided, however, if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within sixty (60) days, and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period

after such notice within which to remedy such default shall be extended for such period as may be necessary to remedy the same with all due diligence. If such action is not taken, the non-defaulting parties may, in addition to all other remedies available at law or in equity (including but not limited to specific performance and/or recovery of damages, including reasonable attorneys' fees and other costs and expenses), terminate this Agreement, or the portion of it affected by the default, by giving ten (10) days written notice to the defaulting Party or Parties.

In the event this Agreement is terminated, LFUCG and the Agency shall be (i) relieved of any executory obligations under this Agreement, (ii) released from undertaking any additional obligations as provided in this Agreement.

SECTION VII

Miscellaneous Provisions

A. Term; Survival; Termination. The term of this Agreement shall be from the date of this Agreement until the earliest of (i) the final payment of the Incremental Revenues and the use of such Incremental Revenues pursuant to this Agreement, the Local Participation Agreement and the Tax Incentive Agreement, or (ii) the termination of this Agreement in accordance with its terms or (iii) the termination of the Local Participation Agreement and the Tax Incentive Agreement. This Agreement shall not terminate upon the execution of any agreements required or contemplated by this Agreement, or referred to in this Agreement, and the provisions of this Agreement shall not be deemed to be merged into any such agreements, it being the intent of the Parties that this Agreement shall survive the execution and delivery of any such agreements and shall continue throughout the entire development of the Development Area.

B. Governing Law. The laws of the Commonwealth of Kentucky shall govern as to the interpretation, validity and effect of this Agreement.

C. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties' essential objectives as expressed herein.

D. Force Majeure. LFUCG, Agency or Developer shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non-performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay (provided, however, that a failure to give such notice timely shall not be a default hereunder or impair the non-performing party's immunities hereunder or account of Unavoidable Delay, unless the failure to give such notice timely actually prejudices the other party). Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning

such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default.

E. Notices. Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, Return Receipt Requested, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to LFUCG:	Mayor Jim Gray Government Center 200 East Main Street Lexington, Kentucky 40507
With Copies to:	Kevin Atkins, Chief Administrative Officer Government Center 200 East Main Street Lexington, Kentucky 40507
	Janet M. Graham Commissioner of Law Government Center 200 East Main Street Lexington, Kentucky 40507
If to the Agency:	William O'Mara Commissioner of Finance Government Center 200 East Main Street Lexington, Kentucky 40507

With a Copy to:	Janet M. Graham Commissioner of Law Government Center 200 East Main Street Lexington, Kentucky 40507 Kevin Atkins Chief Development Officer Government Center 200 East Main Street Lexington, Kentucky 40507
If to Developer:	George Ward Executive Director Coldstream Research Campus and UK Real Estate Services University of Kentucky 1500 Bull Lea Road, Ste. 100 Lexington, KY 40511
With a Copy to:	General Counsel University of Kentucky 301 Main Building Lexington, KY 40506-0032
With additional Copies (which shall not constitute notice) to:	Nick Nicholson Stoll Keenon Ogden PLLC 300 W. Vine Street, Suite 2100 Lexington, KY 40507

F. Approvals. Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within ten (10) business days and shall not be unreasonably withheld, conditioned or delayed by the party from whom such approval or consent is required.

G. Entirety of Agreement. As used herein, the term "Agreement" shall mean this Master Development Agreement and the Exhibits attached hereto. This Agreement embodies the

entire agreement and understanding of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement or the previous agreements that are referenced herein, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the Parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any party.

H. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

I. Headings. The headings in this Agreement are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

J. Exhibits. All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

K. No Waiver. No waiver of any condition or covenant of this Agreement to be satisfied or performed by LFUCG, Agency, or Developer shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this

Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

L. Construction. No provisions of this Agreement shall be construed against a Party by reason of such Party having drafted such provisions.

M. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

N. Relationship of the Parties. Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the Parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association between any of the Parties of this Agreement.

O. No Third Party Beneficiary. Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of LFUCG, Agency, and the Developer, any lender providing financing to Developer, and their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

P. Diligent Performance. With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as

reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

Q. Assignment of Rights and Delegation of Duties. Neither LFUCG nor the Agency shall assign this Agreement without the prior written consent of the Developer, which shall not be unreasonably withheld. The Developer shall have the right to assign this Agreement, or any part hereof, to an Affiliate, provided the assignee shall assume all assigned liabilities and obligations of the Developer hereunder and LFUCG provides its consent in advance in writing, which consent shall not be unreasonably withheld.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
An urban county government of the Commonwealth of Kentucky

By: _____
Jim Gray

Its: Mayor

Date: March 22, 2018

Department of Finance
Lexington-Fayette Urban County Government.

By: _____
William O'Mara

Its: Commissioner of Finance

Date: March 22, 2018

University of Kentucky,
An instrumentality of the Commonwealth of Kentucky

By: _____
Eric Monday

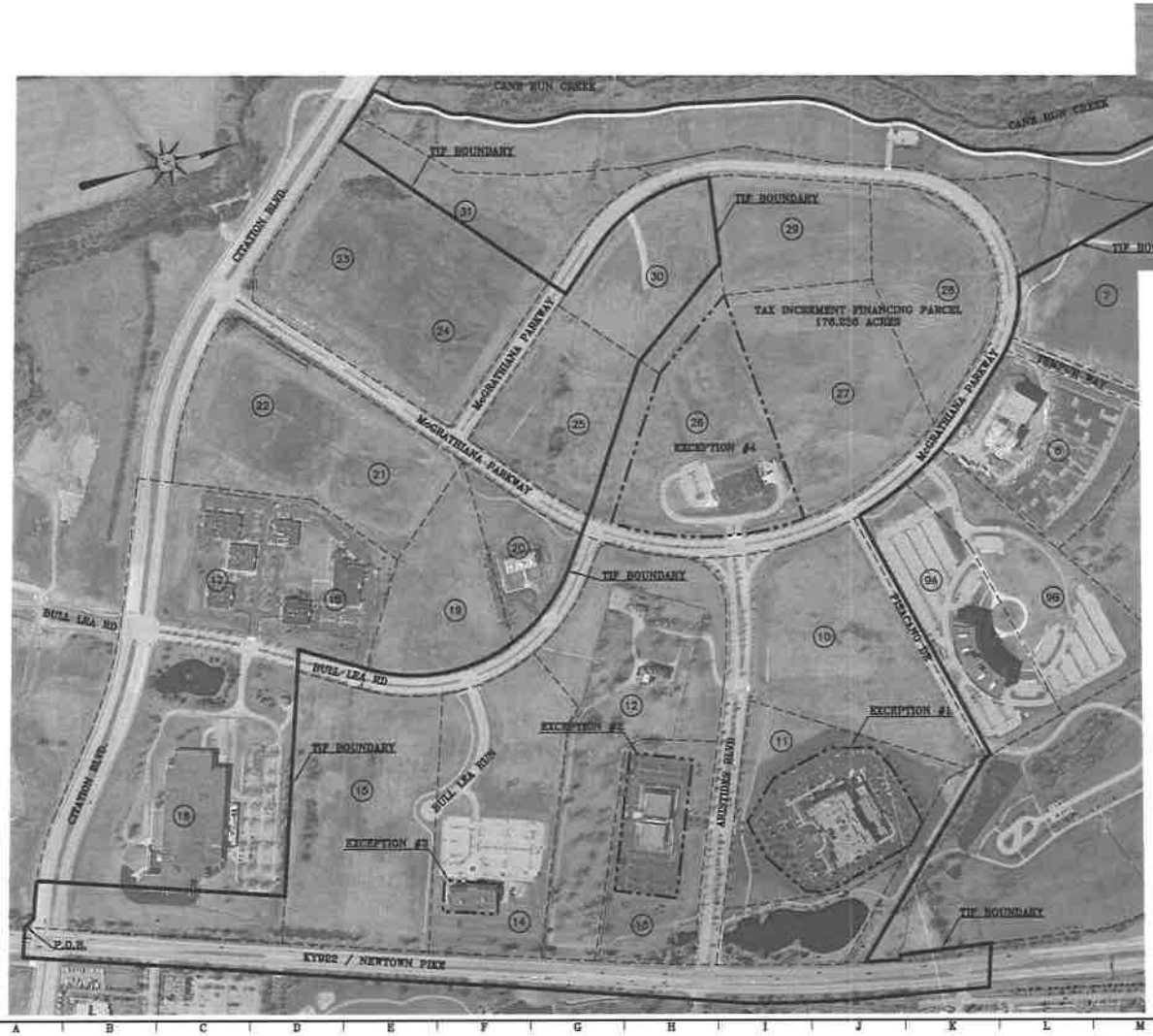
Its: Executive Vice President of Finance and Administration

Date: March 22, 2018

Reviewed by: _____
George Ward
Executive Director
Coldstream Research Campus
and UK Real Estate Services

Exhibit A

Coldstream Research Campus Development Area



DATA SOURCE:
THIS EXHIBIT DEPICTS DATA COMPILED FROM RECORD DOCUMENTS LOCATED IN THE FAYETTE COUNTY CLERK'S OFFICE AND DOES NOT REPRESENT A FIELD SURVEY. THIS DOCUMENT SHALL NOT BE USED FOR REAL ESTATE SALE OR TRANSFER.

COLDSTREAM RESEARCH CAMPUS
TAX INCREMENT FINANCING PARCEL
NEWTOWN PIKE AND CITATION BLVD
LEXINGTON, FAYETTE COUNTY, KENTUCKY

TIF EXHIBIT

TE-1

Tax Increment Financing Parcel

A certain parcel of land lying along Newtown Pike and Citation Boulevard in the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

Beginning at the intersection of the southern Right-of-Way line of Citation Boulevard with the western Right-of-Way line of Newtown Pike as depicted on Coldstream Research Campus - Unit 1A Final Record Plat as recorded in Plat Cabinet K, Slide 617 of the Fayette County Clerk's records; thence with said southern Right-of-Way line of Citation Boulevard for two (2) calls:

1. N 27°55'08" W a distance of 51.21';
2. Along a curve turning to the right with an arc length of 162.73', with a radius of 1542.50', with a chord bearing of N 69°45'23" W, with a chord length of 162.66'; thence crossing said Citation Boulevard and severing Lot 16 as depicted on said Plat Cabinet K, Slide 617 for one (1) call:

3. N 18°57'53" E a distance of 1062.99' to a point on the line of Lot 15 as depicted on Coldstream Research Campus - Unit 1B Final Record Plat as recorded in Plat Cabinet N, Slide 276; thence with the line of said Lot 15 for one (1)call:

4. N 71°27'19" W a distance of 1057.29' crossing Bull Lea Road to a point on the on the western Right-of-Way line of said Bull Lea Road; thence with said western Right-of-Way Line, crossing McGrathiana Parkway and severing Lot 25 as depicted on Coldstream Research Campus Unit 2B, Section 2 Final Record Plat as recorded in Plat Cabinet L, Slide 750 for three (3):

5. N 31°15'02" E a distance of 311.34';
6. Along a curve turning to the left with an arc length of 1049.21', with a radius of 705.00', with a chord bearing of N 11°23'05" W, with a chord length of 955.03',;
7. N 55°53'52" W a distance of 930.41' to a point on the line of Lot 30 as depicted on Coldstream Research Campus - Unit 3 Final Record Plat as recorded in Plat Cabinet M, Slide 32; thence severing said Lot 30 for one (1) call:

8. N 35°12'46" W a distance of 547.12' to a point on the line of Lot 29 of said Plat Cabinet M, Slide 32; thence with the line of said Lot 29 for one (1) call:

9. N 82°04'22" W a distance of 366.33' to a point on the eastern Right-of-Way line of said McGrathiana Parkway; thence with said eastern Right-of-Way line for two (2) call:

10. Along a curve turning to the left with an arc length of582.95', with a radius of 705.00', with a chord bearing of S 16°50'42" E, with a chord length of 566.48',;
11. S 40°32'00" E a distance of 233.61'; thence crossing said McGrathiana Parkway and severing lot 31 as depicted on Coldstream Research Campus - Unit 4 Final Record Plat as recorded in Plat Cabinet L, Slide 794 for one (1) call:

12. S 49°28'00" W a distance of 1162.60' to a point on the northern Right-of-Way line of Citation Boulevard; thence with said northern Right-of-Way line for one (1) call:

13. N 40°31'57" W a distance of 257.61'; thence along a line being 20 feet from and parallel with the centerline of an existing pedestrian trail and severing Parcel 2 as depicted on Coldstream Farm Public Acquisition Subdivision Plat as recorded in Plat Cabinet J, Slide 490 for nineteen (19) calls:

14. N 41°07'15" E a distance of 102.09';
15. Along a curve turning to the left with an arc length of 63.11', with a radius of 212.90', with a chord bearing of N 26°07'40" E, with a chord length of 62.88',;
16. Along a reverse curve turning to the right with an arc length of 125.48', with a radius of 222.41', with a chord bearing o N 25°39'06" E, with a chord length of 123.83',;
17. Along a reverse curve turning to the left with an arc length of 108.42', with a radius of 153.06', with a chord bearing of N 27°24'31" E, with a chord length of 106.16',;
18. Along a reverse curve turning to the right with an arc length of 62.09', with a radius of 146.31', with a chord bearing of N 21°06'47" E, with a chord length of 61.63',;
19. N 25°39'55" E a distance of 136.18';
20. Along a curve turning to the left with an arc length of 181.65', with a radius of 512.04', with a chord bearing of N 11°37'21" E, with a chord length of 180.70',;
21. Along a reverse curve turning to the right with an arc length of 172.55', with a radius of 449.79', with a chord bearing of N 05°53'10" E, with a chord length of 171.50',;
22. N 14°39'30" E a distance of 167.13';
23. Along a curve turning to the left with an arc length of 104.96', with a radius of 611.25', with a chord bearing of N 10°17'55" E, with a chord length of 104.83',;
24. Along a reverse curve turning to the right with an arc length of 161.40', with a radius of 656.85', with a chord bearing of N 06°49'32" E, with a chord length of 160.99',;
25. N 12°18'06" E a distance of 432.88';
26. Along a curve turning to the right with an arc length of 253.58', with a radius of 514.07', with a chord bearing of N 28°21'31" E, with a chord length of 251.01',;
27. N 40°13'37" E a distance of 50.32';
28. Along a curve turning to the left with an arc length of 114.85', with a radius of 172.52', with a chord bearing of N 25°12'54" E, with a chord length of 112.74',;
29. Along a reverse curve turning to the right with an arc length of 146.42', with a radius of 197.71', with a chord bearing of N 22°58'29" E, with a chord length of 143.10',;
30. N 41°40'21" E a distance of 159.56';
31. Along a curve turning to the left with an arc length of 167.49', with a radius of 297.54', with a chord bearing of N 28°04'16" E, with a chord length of 165.28',;
32. Along a reverse curve turning to the right with an arc length of 253.64', with a radius of 691.87', with a chord bearing of N 19°05'20" E, with a chord length of 252.22',; thence leaving trail and continuing severance for six (6) calls:

33. N 14°56'47" E a distance of 284.25';
34. N 09°03'21" W a distance of 252.52';
35. N 69°32'49" W a distance of 499.27';
36. N 20°27'11" E a distance of 232.25';
37. S 69°32'49" E a distance of 694.24';
38. S 00°49'09" W a distance of 195.27'; thence continuing severance of said Parcel 2 and severing Lot 7 as depicted on Coldstream Research Campus - Unit 3 as recorded in Plat Cabinet R, Slide 26 for one (1) call:

39. S 12°56'14" E a distance of 767.92' to a point on the northern Right-of-Way line of said McGrathiana Parkway; thence with said northern Right-of-Way for three (3) calls:

40. Along a curve turning to the right with an arc length of 369.84', with a radius of 554.43', with a chord bearing of S 62°20'29" E, with a chord length of 363.02',;
41. S 43°03'52" E a distance of 240.61';
42. Along a curve turning to the right with an arc length of 671.27', with a radius of 1345.00', with a chord bearing of S 28°46'01" E, with a chord length of 664.33',; thence severing Lot 9A as depicted on Coldstream Research Campus - Unit 3 as recorded in Plat Cabinet N, Slide 846 for one (1) call:

43. N 76°35'48" E a distance of 1166.23' to a point on the line of Parcel 2 of said Plat Cabinet J, Slide 490; thence with the line of said Parcel 2 for one (1) call:

44. S 13°24'12" E a distance of 25.00'; thence severing said Parcel 2 for one (1) call:
45. S 44°16'13" E a distance of 1015.91' to a point on the western Right-of-Way line of Newtown Pike; thence with said western Right-of-Way line for three (3) calls:
46. N 11°18'38" E a distance of 146.52';
47. N 64°42'40" W a distance of 21.81';
48. N 08°00'41" E a distance of 390.08'; thence crossing said Newtown Pike for one (1) call:
49. S 72°03'07" E a distance of 188.29' to a point on the eastern Right-of-Way line of Newtown Pike; thence with said eastern Right-of-Way line for eight (8) calls:

50. S 10°06'56" W a distance of 548.53';
51. S 11°25'56" W a distance of 110.42';
52. S 12°34'56" W a distance of 106.67';
53. S 13°34'55" W a distance of 113.70';
54. S 14°48'56" W a distance of 108.87';
55. S 19°18'43" W a distance of 1125.75';
56. S 18°52'52" W a distance of 917.21';
57. S 18°57'53" W a distance of 1103.01'; thence crossing said Newton Pike for one (1) call:

58. N 71°02'07" W a distance of 130.00' to Point of Beginning containing 8667775.49square feet or 198.985acres

Exception 1

Beginning at a point on the line of Parcel 2 as depicted on said Plat Cabinet J, Slide 490, said point being N 08°49'56" E a distance of 3860.67' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 11 as depicted on Coldstream Research Campus - Unit 2A as recorded in Plat Cabinet K, Slide 623 for eleven (11) calls:

1. S 75°53'25" W a distance of 274.90';
2. S 61°51'03" W a distance of 112.98';
3. S 15°43'15" W a distance of 180.39';
4. S 12°41'41" E a distance of 275.66';
5. S 43°39'49" E a distance of 218.84';
6. N 77°48'23" E a distance of 174.43';
7. N 55°28'14" E a distance of 222.62';
8. N 19°13'23" E a distance of 64.38';
9. N 01°29'19" W a distance of 70.95';
10. N 14°37'52" W a distance of 361.27';
11. N 45°37'04" W a distance of 109.93' to the Point of Beginning, containing 312680.13 square feet or 7.178 acres.

Exception 2

Beginning at a point N 01°21'18" E a distance of 2939.27' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 13 as depicted on Coldstream Research Campus - Unit 2A as recorded in Plat Cabinet K, Slide 623 for four (4) calls:

1. S 68°04'41" E a distance of 596.91';
2. S 22°10'40" W a distance of 266.15';
3. N 68°18'35" W a distance of 594.95';
4. N 21°45'27" E a distance of 268.56' to the Point of Beginning, containing 159323.12 square feet or 3.658 acres.

Exception 3

Beginning at a point N 13°21'38" E a distance of 1786.53' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 14A as depicted on Coldstream Research Campus - Unit 1B as recorded in Plat Cabinet N, Slide 276 for four (4) calls:

1. N 18°08'35" E a distance of 234.66';
2. N 71°51'25" W a distance of 130.97';
3. S 19°05'46" W a distance of 232.45';
4. S 70°54'14" E a distance of 134.86' to the Point of Beginning, containing 31040.42 square feet or 0.713 acres.

Exception 4

Beginning Lot 26 as depicted on Coldstream Research Campus - Unit 2B as recorded in Plat Cabinet L, Slide 349.

Exhibit B

Project Description

Coldstream Research Campus Project Components		
Lab Space	(sq ft)	190,000
Office	(sq ft)	234,000
Restaurant	(sq ft)	21,000
Retail	(sq ft)	15,000
Hotel	(rooms)	125
Residential	(sq ft)	243,000

Exhibit C

Public Infrastructure Costs

Coldstream Research Campus Public Infrastructure Cost Estimates	
Site General	$532,976
Earthwork	$4,443,172
Curbs, Sidewalks, Roads, Parking	$6,912,950
Sanitary Sewers	$1,949,877
Waterlines	$4,393,082
Storm Sewers	$2,636,978
Utilities	$582,500
Right of Way and Public Space Improvements	$2,226,250
Public Building Rehab	$6,000,000
Contingency	$1,483,889
A&E	$1,483,889
Geotech & Inspection	$445,167
Total	**$33,090,730**

Exhibit D

Officers of Developer and Affiliates

Exhibit D

Officers of Developer and Affiliates

- President – Eli Capilouto
- Executive Vice President for Finance – Eric Monday
- Treasurer – Susan Krauss
- Executive Director of Coldstream Research Campus and UK Real Estate Services – George Ward

APPLICATION FOR:

Kentucky Tax Increment Financing (TIF) Program

Kentucky
Cabinet for Economic Development
Rev 6/2015

INSTRUCTIONS

All applicants should familiarize themselves with the information regarding the incentive programs for which the application is being submitted as well as other applicable program statutory requirements. Fact sheets regarding the incentive programs are located at: www.thinkkentucky.com/KYEDC/kybizince.aspx.

If you are locating or expanding a business in Kentucky and are interested in incentives, you must notify the Department for Business Development within the Kentucky Cabinet for Economic Development. A project manager will be assigned to assist you with your project and determine the incentives for which the project may qualify. No applications will receive consideration without the signature of an agent of the Cabinet.

The application consists of the following worksheets:

- Project Info
- Development Area
- Tax History
- State Tax Increment Estimates
- Local Tax Increment Estimates
- Certification
- Disclosure

All worksheets need to be completed and submitted with original signatures to the following address:

Office of the Commissioner
Department for Business Development
Old State Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
(502) 564-7140

REQUIRED ATTACHMENTS

The following items must be submitted in addition to the completed application:

1) An application fee payable to the Kentucky Economic Development Finance Authority (KEDFA) equal to $1,000.

   The application fee may be paid via credit card or ACH at the following website:
   www.thinkkentucky.com/epayments

   Please note: Prior to final approval, applicant shall submit the TIF administrative fee equal to one-quarter of one percent (0.25%) of the final incentive amount authorized in the tax incentive agreement, up to a maximum of $50,000.

   Applicant is also responsible for additional fees for legal, consultant and administrative costs that will be incurred for TIF projects.

   The administrative fee may be paid via ACH at the following website: www.thinkkentucky.com/epayments.

2) Letter including a brief history and description of the project.

3) An itemized list of anticipated capital investments (including specific estimated costs by each line item) to be made within the footprint of the development area.

4) A business plan for the development area or specific project therein, including identification of the management teams for the area and the project within the area.

5) Copy of the Local Ordinance establishing TIF Development Area.

6) Copy of the Local Participation or Local Development Agreement.

7) Copy of the Interlocal Agreement (if required).

8) A letter endorsing the project from the appropriate local elected official (e.g., Mayor, County Judge).

9) Two Maps - Existing Site vs. Future Project
   i) Existing Site - a map with attached detail/listing of the geographic coordinates for the project's proposed footprint, including current uses.

   ii) Future Project - a map with the development area and footprint divided into zones. Within each zone, please provide a description of the project as well as what is the public infrastructure investment by zone.
   *** Please make sure the development area and footprint align with current property tax parcels. ***

10) A detailed listing of all taxpayers located within the TIF Footprint prior to the announcement of the project. See tab "Tax History" for more details.

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
PROJECT INFORMATION

Kentucky
Cabinet for Economic Development
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Date: March 1, 2018
Is this an amendment to the initial application for incentives? No

Project Name				
Coldstream Research Campus Project				
Type of TIF Program				
Mixed Use Redevelopment in Blighted Urban Areas				
APPLICANT INFORMATION (Entity applying for incentives)				
Local Agency Name				
Department of Finance of LFUCG				
Street Address	City	County	State	Zip Code
200 E. Main St., 3rd Floor	Lexington	Fayette	KY	40507
Contact Person	Title	Telephone	Fax	
Wes Holbrook	Administrative Officer, Sr.	859-258-3300		
Email Address	Website			
wholbrook@lexingtonky.gov	www.LexingtonKY.gov			
Local Agency is organized as (select one):				
A designated department, division or office of a city or county				
Is the applicant registered and in good standing with the Kentucky Secretary of State?	Yes			

Has the applicant, or any owner or affiliate of the applicant, ever been convicted of any criminal offenses, been in receivership or adjudicated a bankruptcy, or been denied a business related license or had a business related license suspended or revoked by any administrative, governmental or regulatory agency?

No *If yes, please list the violation and explain (attach additional explanation if needed):*

COUNTY INFORMATION				
County Name		County Judge Executive		
Fayette		Tom Dupree Jr.		
Street Address	City	County	State	Zip Code
215 W. Short St., Suite 210	Lexington	Fayette	KY	40507
Contact Person	Title	Telephone	Fax	
Tom Dupree Jr.	Judge Executive	859-351-2266		
Email Address	Website			

CITY INFORMATION				
City Name		Mayor		
Lexington-Fayette Urban County Government		Jim Gray		
Street Address	City	County	State	Zip Code
200 E. Main St.	Lexington	Fayette	KY	40507
Contact Person	Title	Telephone	Fax	
Kevin Atkins	Chief Development Officer	859-258-3110		
Email Address	Website			
katkins@lexingtonky.gov	www.LexingtonKY.gov			

DEVELOPER INFORMATION				
Developer's Name				
University of Kentucky				
Street Address	City	County	State	Zip Code
1500 Bull Lea Rd., Suite 100	Lexington	Fayette	KY	40511
Contact Person	Title	Telephone	Fax	
George Ward	Executive Director (Coldstream	859-231-8324		
Email Address	Website			
george.ward@uky.edu	UKColdstream.com			

PROJECT INFORMATION

Does the project represent new economic activity in the Commonwealth? Yes

Will the amount of property within the TIF development area exceed 20% of the total assessed value of taxable real property within the jurisdiction(s)? No

Describe why this project cannot occur without the benefit of TIF:

Without the incentives available throught the State and Local TIF programs, it will be very difficult for the university to finance the Project as envisioned in order to build a research campus capable of attracting new companies to the Commonwealth and providing an environment that creates organic business growth within the university community.

Explain how the proposed TIF will create a net new positive impact for Kentucky:

The Project aims to launch new companies and attract out-of-state businesses that place a high priority on connectivity to the University. UK helps companies connect to UK researchers and technology, secure state funding, and help with debt financing and small business development. Coldstream understands that companies, especially young startups, need support and the right amount of space in order to survive when scaling up and creating net new jobs for the Commonwealth of Kentucky.

Describe the business activity to occur at project site:

The research park will include a variety of uses, including lab and office space, supportive restaurants and retail, residential options, and an additional on-site hotel able to host company representatives in town on business all within short walking distance.

Provide the size of the proposed Development Area:

Acres:	176.00
Square miles:	0.28

Provide the size of the proposed Footprint:

Acres:	176.00
Square miles:	0.28

List any business included within the proposed Footprint that currently receive incentives under any state or local incentive programs, including approved tourism attraction projects, as defined in KRS 148.851, economic development projects as defined in KRS 154.30-010(14), or other economic development incentives or financial assistance from the state, such as grants, loans or appropriations from the state. As part of your response, provide the name of the business, the location of the business within the proposed Footprint, the program in which the business is participating, and the terms of the economic incentives:

Name of Business	Address	Type of Incentive and Terms

Is the proposed Footprint contained within another Tax Increment Financing Development Area? No

If yes, please provide details to which TIF Development Area this project is located, and what types of taxes, both local and state, are pledged:

Will the proposed project create any adverse impact on any existing Kentucky business?	No

Please explain your response:

The goal of Coldstream Research Campus is to grow new innovative businesses within our region, not to compete directly with existing businesses already in the region or to relocate businesses from other locations within the Commonwealth.

Provide the percentage of finished square footage in the proposed Footprint of the project that will be devoted to the support or development of assets that will be utilized for the retail sale of tangible personal property:

Total Square Feet:	763,000
Square Feet Used for Retail:	15,000
Retail %:	2%

Amount of finished square footage in the proposed Footprint of the project that will be dedicated for commercial office space:	424,000

BLIGHTED AREA PROJECTS

For Blighted Area projects, identify conditions below that exist within the development area and supply documentation supporting these findings (identify all that apply):

	Substantial loss of residential, commercial, or industrial activity or use
	Forty percent (40%) or more of the households are low-income households
	More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated
	Substantial abandonment of residential, commercial, or industrial structures
	Substantial presence of environmentally contaminated land
Yes	Inadequate public improvements or substantial deterioration in public infrastructure
Yes	Any combination of factors that substantially impairs or arrests the growth and adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area's present condition and use

Mixed-use projects require at least three conditions to be eligible unless a vacant land qualification exists

VACANT LAND PROJECTS

For Vacant Land (non-blighted area) projects, identify the criteria below that exist within the development area (identify all that apply):

	Development of previously undeveloped land including a 5,000 seat arena as part of the proposed development
Yes	Project is a mixed-use development located in a university research park
	Mixed-use development located within three miles of a military base that houses, deploys, or employs any combination of at least 25,000 military personnel, their families, military retirees or civilian employees
	Mixed-use development which includes either or both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or agency thereof

Project does not meet the vacant land qualifications.

MIXED-USE REDEVELOPMENT IN BLIGHTED URBAN AREA PROJECTS ONLY:

Will any retail establishment exceed 20,000 square feet of finished square footage?	No
Does the project include pedestrian amenities and public space?	Yes

Which of the following Qualified Uses comprise at least 20% of the total finished square footage of the proposed project or represent 20% of the total capital investment?

	Retail	Yes	Office		Hospitality
Yes	Residential		Restaurant		

If the previous question only has one Qualified Use with a "Yes" response, please answer the following:

Does the project exist within a consolidated local government or urban-county government?	Yes
Does the project include at least three of the Qualified Uses?	Yes
Does at least one of the Qualified Uses meet the 20% requirement?	Yes
When the other Qualified Uses are combined, will they jointly comprise of at least 20% of the total finished square footage of the proposed project or represent 20% of the total capital investment?	Yes

PROPOSED PROJECT TIMELINE

	Date	Estimated?
Acquisition of all property within the Development Area	Completed	No
Demolition of existing structures	N/A	
Construction begins	2018	Yes
Construction ends	2024	Yes
TIF begins	2018	Yes
TIF ends	2038	Yes

PROPOSED FINANCING

Equity or Cash	$33,186,860	16.7%
Proceeds from Debt Issuance:		
Supported by State TIF Participation	$16,545,365	8.3%
Supported by Local TIF Participation	$16,545,364	8.3%
Supported by Private Sources	$132,747,440	66.7%
Total Estimated Sources of Funds	$199,025,029	100.0%

Describe the financing method proposed to complete the TIF portion of the project (i.e., bond issue, bank financing, internal loan), the terms, and the estimated annual debt service.

The financing is expected to include a combination of debt and equity, and may include some portion of TIF revenue bonds in order to finance a portion of the public infrastructure expenditures. Financing costs have been roughly estimated based upon a blended interest rate of 6% on 20-year debt, although this may fluctuate given changing market conditions and final financing structure of the Project's various components.

FOR OFFICE USE ONLY

Business Development Contact:

Financial Incentives Contact:

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
DEVELOPMENT AREA

Kentucky
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TOTAL DEVELOPMENT AREA

Estimate capital investment for the Development Area in each zone. Include only capital investment associated with the proposed project as defined in KRS 154.30-010.

Zone	Public Infrastructure Costs	Signature Costs	Financing Costs	Others Costs	TOTAL
Zone 1	$3,631,280		$24,094,314	$28,767,000	$56,492,594
Zone 2	$10,766,394		$27,510,023	$26,224,800	$64,501,217
Zone 3	$4,512,348		$18,323,135	$20,125,750	$42,961,233
Zone 4	$14,180,707		$78,085,678	$90,816,750	$183,083,135
Zone 5					$0
Zone 6					$0
Zone 7					$0
Zone 8					$0
Zone 9					$0
Zone 10					$0
Zone 11					$0
Zone 12					$0
Zone 13					$0
Zone 14					$0
Zone 15					$0
Zone 16					$0
Zone 17					$0
Zone 18					$0
Zone 19					$0
Zone 20					$0
Zone 21					$0
Zone 22					$0
Zone 23					$0
Zone 24					$0
Zone 25					$0
Total from any additional pages					$0
TOTAL	$33,090,729	$0	$148,013,150	$165,934,300	$347,038,179

Please attach more pages if additional space is needed.

Identify the zones from above that are included in the Footprint: Zones 1-4

Total financing costs for the project are estimated to be: $148,013,150

What portion of the estimated financing costs pertains to financing the public infrastructure? 17%

Provide the percentage of total capital investment that will be devoted to the support or development of assets that will be utilized for the retail sale of tangible personal property:

Total capital investment	$347,038,179
Capital investment used for retail	$2,250,000
Retail %	1%

PUBLIC INFRASTRUCTURE COSTS

Please provide a breakdown of the estimated public infrastructure costs included above:

Land preparation costs attributable to preparing the public infrastructure portion of the Footprint for development and do not include land acquisition costs	$4,976,149
Public buildings/structures	$6,000,000
Sewers/storm drainage	$4,586,855
Curbs, sidewalks, promenades and pedways	$1,413,869
Roads	$2,430,690
Street lighting	$195,000
Provision of utilities	$4,780,581
Environmental remediation	$0
Floodwalls and floodgates	$0
Public spaces or parks	$1,100,000
Parking	$3,568,390
Easements and rights of way	$243,750
Transportation facilities	$0
Public landings	$0
Amenities such as fountains, benches and sculptures	$382,500
River bank modifications and improvements	$0
Other (provide listing)	$3,412,945
TOTAL	$33,090,729

RECOVERY REQUEST

Amount of TIF incentives being requested $16,545,365

Recovery methods being requested (select all that apply):

Yes	Ad Valorem/Real Estate/Property Tax
Yes	Sales and Use Tax
Yes	Withholding Tax *
No	Corporation Income Tax *
No	Limited Liability Entity Tax *

** If these are included for a TIF project that includes office space, the applicant should consider the impact of pledging these taxes on the ability to attract/locate other economic development projects at a later date.*

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
TAX HISTORY

Rev 6/2015

Tax History (Tax information for the three preceding tax years prior to announcement of the project):

Tax Year	Property Tax	Withholding Tax	Corporation Tax	Sales and Use Tax	Other	Total
	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0
Total	$0	$0	$0	$0	$0	$0

Attachment

Attach a detailed listing of all taxpayers located within the TIF Footprint prior to the announcement of the project. The following data fields should be used in providing this supplemental information:

- Business name including dba
- Tax Identification Number for all taxes
- Business address
- Contact information including:
  - Name
  - Address
  - E-mail address
  - Telephone number
- Detailed tax information (see above table) for three years prior to announcement of TIF project
- Number of employees in the Development Area
- Property tax parcel ID number(s)

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
STATE TAX INCREMENT ESTIMATES

Kentucky
Cabinet for Economic Development

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State Tax Increment Estimates

Year	Ad Valorem Real Estate Property Tax	Sales and Use Tax	Withholding Tax	Corporation Income Tax	Limited Liability Entity Tax	Total
1	$53,974	$310,969	$164,663	$3,545		$533,151
2	$88,897	$596,260	$771,895	$21,988		$1,479,040
3	$97,243	$608,186	$1,050,093	$31,916		$1,787,438
4	$109,519	$622,010	$1,352,444	$43,503		$2,127,476
5	$144,429	$697,859	$1,884,855	$51,160		$2,778,304
6	$155,399	$713,578	$2,447,098	$69,804		$3,385,879
7	$158,507	$729,664	$2,496,040	$71,201		$3,455,411
8	$161,677	$746,126	$2,545,961	$72,625		$3,526,388
9	$164,910	$762,973	$2,596,880	$74,077		$3,598,841
10	$168,209	$780,216	$2,648,818	$75,559		$3,672,801
11	$171,573	$797,862	$2,701,794	$77,070		$3,748,299
12	$175,004	$815,923	$2,755,830	$78,611		$3,825,368
13	$178,504	$834,408	$2,810,947	$80,183		$3,904,042
14	$182,074	$853,327	$2,867,166	$81,787		$3,984,354
15	$185,716	$872,692	$2,924,509	$83,423		$4,066,340
16	$189,430	$892,514	$2,982,999	$85,091		$4,150,034
17	$193,219	$912,802	$3,042,659	$86,793		$4,235,473
18	$197,083	$933,570	$3,103,512	$88,529		$4,322,694
19	$201,025	$954,829	$3,165,582	$90,300		$4,411,735
20	$205,045	$976,590	$3,228,894	$92,106		$4,502,635
21						$0
22						$0
23						$0
24						$0
25						$0
26						$0
27						$0
28						$0
29						$0
30						$0
Total	$3,181,437	$15,412,357	$47,542,640	$1,359,271	$0	$67,495,704

Assumptions:

See Commonwealth Economics report. Numbers shown at 80% participation.

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
LOCAL TAX INCREMENT ESTIMATES

Kentucky
Cabinet for Economic Development

Rev 6/2015

Local Tax Increment Estimates

Year	Ad Valorem Real Estate Property Tax	Sales and Use Tax	Withholding Tax	Corporation Income Tax	Limited Liability Entity Tax	Total
1	$90,163		$98,848			$189,011
2	$148,501		$479,480			$627,981
3	$162,444		$658,299			$820,743
4	$182,950		$855,033			$1,037,983
5	$241,268		$1,163,224			$1,404,492
6	$259,592		$1,520,359			$1,779,951
7	$264,784		$1,550,766			$1,815,550
8	$270,080		$1,581,781			$1,851,861
9	$275,481		$1,613,417			$1,888,898
10	$280,991		$1,645,685			$1,926,676
11	$286,611		$1,678,599			$1,965,210
12	$292,343		$1,712,171			$2,004,514
13	$298,190		$1,746,414			$2,044,604
14	$304,154		$1,781,343			$2,085,497
15	$310,237		$1,816,970			$2,127,206
16	$316,442		$1,853,309			$2,169,751
17	$322,770		$1,890,375			$2,213,146
18	$329,226		$1,928,183			$2,257,409
19	$335,810		$1,966,746			$2,302,557
20	$342,527		$2,006,081			$2,348,608
21						$0
22						$0
23						$0
24						$0
25						$0
26						$0
27						$0
28						$0
29						$0
30						$0
Total	$5,314,564	$0	$29,547,084	$0	$0	$34,861,648

Assumptions including percentage of local TIF participation:

See Commonwealth Economics report. Numbers shown at 80% participation.

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
CERTIFICATION OF APPLICATION

Kentucky
Cabinet for Economic Development
Rev 6/2015

Project Name
Coldstream Research Campus Project

Location of Project (county name)
Fayette

CERTIFICATION

Eligibility for financial assistance is determined by the information presented in this application and in the required attachments.

I, the undersigned on behalf of the applicant, hereby represent and certify that the foregoing application information, including all attachments, to the best of my knowledge, is (a) true, complete and accurate with respect to the information concerning the proposed project for which financial incentives are sought; and (b) does not contain any information for which any entity competing with the applicant may claim a proprietary interest. I represent and certify that the project as set forth in this application will not occur if not for the designation of the development area, the granting of incremental revenues by the taxing district or districts, other than the Commonwealth, and the granting of the state tax incremental revenues.

The undersigned, on behalf of the applicant, acknowledges that information contained within the application and its attachments may be subject to public disclosure to the extent required by law pursuant to any request made under the Kentucky Open Records Act contained in Chapter 61 of the Kentucky Revised Statutes. Notwithstanding the above, except as otherwise agreed to by the applicant in writing, no confidential or proprietary information shall be disclosed if properly excluded from disclosure under KRS 61.878 (as determined by the Authority, the Kentucky Attorney General or court of competent jurisdiction).

The undersigned, on behalf of the applicant, acknowledges that the applicant will be required to provide a number of reports during the term of the incentive agreement and agrees to provide this information as required and as requested. Failure to provide the information may result in suspension of incentives.

In addition, the undersigned on behalf of the applicant, acknowledges and grants permission to the Authority to share any and all information contained within the application and its attachments with appropriate state agencies, local authorities and contract consultants to determine the feasibility and potential impacts associated with the project for which incentives are sought.

William O'Mara Local Agency's Authorized Signature	Commissioner of Finance Title
William O'Mara Print Name	3-22-2018 Date

County Judge Executive's Signature (if applicable)	Mayor's Signature (if applicable)
Print Name	Jim Gray Print Name

For Electronic Signature: The person responsible for signing the document may type his/her name in the signature field, but the name must be preceded by a "/s" (e.g., /s Jim Smith). An email is also required from the signer providing a statement certifying/authenticating the typed signature on the document is his/her signature.

APPLICATION FOR TAX INCREMENT FINANCING (TIF) PROGRAM
ATTACHMENT A - INCENTIVE DISCLOSURE STATEMENT

Kentucky
Cabinet for Economic Development
Rev 6/2015

Project Name
Coldstream Research Campus Project

Location of Project (county name)
Fayette

INSTRUCTIONS: In accordance with the Executive Branch Code of Ethics, Chapter 11A of the Kentucky Revised Statutes ("KRS"), before any board or authority within or attached to the Cabinet for Economic Development ("CED") takes final action on any contract or agreement by which a bond, grant, lease, loan, assessment, incentive, inducement, or tax credit is awarded (the "incentive package"), the beneficiary of the incentive package must file with the approving board or authority a disclosure statement stating: (i) the identity of the beneficiary of the incentive package, (ii) the identity of any person employed to act on behalf of the beneficiary with respect to the incentive package, (iii) the details of any financial transaction (as defined in KRS 11A.201(5)(a), see below) between the beneficiary (or any other person listed in (ii) above) and any agent or public servant of the CED, any member of any board or authority within or attached to that Cabinet, or any other public servant involved in the negotiation of the economic incentive package.

Your application or request will not be processed until this form is filed. CED will file copies of this form with the Executive Branch Ethics Commission pursuant to KRS 11A.233(2).

NOTE: For purposes of KRS 11A.201(5)(a), the definition of "financial transaction" is activity conducted or undertaken for profit, not available to the general public on the same terms, that arises from the joint ownership, the ownership, or part ownership in common, of any real or personal property or any commercial or business enterprise of whatever form between:

1) Beneficiary, agent or employee of the beneficiary; and

2) CED agent, employee, member of board or authority attached to CED, or other public servant involved in the negotiation of any incentive package.

Beneficiary's Legal Name: Lexington-Fayette Urban County Government

Beneficiary is the: Applicant

Type(s) of Economic Incentive Package(s): Tax Increment Financing (TIF)

Please identify all employees or agents of the Beneficiary who have acted on behalf of the Beneficiary in its dealings with the CED or any board or authority within or attached to the CED in regard to the above incentive package:

Name	Title	Organization
Kevin Atkins	Chief Dev. Officer	LFUCG
Sally Hamilton	Chief Admin Officer	LFUCG
Janet Graham	Law Commissioner	LFUCG
David Barberie	Managing Attorney	LFUCG
Derek Paulson	Planning Commissioner	LFUCG
William O'Mara	Finance Commissioner	LFUCG

Please attach additional listing if more space is needed.

Have any of the employees or agents of the Beneficiary had any "financial transactions" (as defined above) with a CED agent, employee, or a board or agency attached to CED or any other public servant involved in the negotiation of any economic incentive package?

No

If yes, please detail any "financial transactions" (as defined above) between the Beneficiary (or any other person listed as an employee or agent of the Beneficiary) and (i) any agent or public servant of the CED, (ii) any member of any board or authority within or attached to that Cabinet, or (iii) any other public servant involved in the negotiation of the economic incentive package:

TRANSACTION 1

Name of Beneficiary (agent or employee)	Name of CED (agent, employee, or board/authority member)

Name of Other Public Servant

Description of Financial Transaction

TRANSACTION 2

Name of Beneficiary (agent or employee)	Name of CED (agent, employee, or board/authority member)

Name of Other Public Servant

Description of Financial Transaction

TRANSACTION 3

Name of Beneficiary (agent or employee)	Name of CED (agent, employee, or board/authority member)

Name of Other Public Servant

Description of Financial Transaction

Please attach additional listing if more space is needed.

The undersigned, a duly authorized representative of the Beneficiary listed above, hereby certifies that the information set forth in this Economic Incentive Disclosure Statement has been reviewed, and is true and correct to the best of the knowledge of the undersigned.

Local Agency's Authorized Signature

Date

For Electronic Signature: The person responsible for signing the document may type his/her name in the signature field, but the name must be preceded by a "/s" (e.g., /s Jim Smith). An email is also required from the signer providing a statement certifying/authenticating the typed signature on the document is his/her signature.

LOCAL PARTICIPATION AGREEMENT

FOR

COLDSTREAM RESEARCH CAMPUS DEVELOPMENT AREA

BY AND AMONG

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

A Kentucky Urban County Government

AND

DEPARTMENT OF FINANCE FOR

THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

AND

UNIVERSITY OF KENTUCKY

An instrumentality of the Commonwealth of Kentucky

Exhibit A – The Development Area.
Exhibit B – The Project.
Exhibit C – The Elements of the Project to be supported with Incremental Revenues.
Exhibit D – The Plan for Financing the Project.
Exhibit E – Listing of Old Revenues Collected from Development Area.
Exhibit F – Listing of Anticipated Incremental Revenues for the LFUCG.

INDEX

TO

LOCAL PARTICIPATION AGREEMENT

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

AND

DEPARTMENT OF FINANCE FOR THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

AND

UNIVERSITY OF KENTUCKY

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LOCAL PARTICIPATION AGREEMENT
Coldstream Research Campus Development Area

THIS LOCAL PARTICIPATION AGREEMENT (this "Agreement") is made as of the date of the Tax Incentive Agreement [as hereinafter defined] (the "Effective Date") by and among the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, a Kentucky urban county government (the "LFUCG"), the DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the "Agency"), and the UNIVERSITY OF KENTUCKY, an instrumentality of the Commonwealth of Kentucky ("Developer"), collectively (the "Parties"):

RECITALS

WHEREAS, pursuant to the Act, as hereinafter defined, the LFUCG has on the __ day of _____ 2018, adopted Ordinance Number _____, (the "Development Area Ordinance"), whereby it established The Coldstream Research Campus Development Area (the "Development Area") for the purpose of promoting a mixed-use development in a university research park; and

WHEREAS, the Council of the LFUCG recognizes and determines individually that the real property that constitutes the Development Area has been and is currently in a university research park that is characterized by vacant and underutilized land with inadequate infrastructure, that continuation of the inadequate infrastructure within the Development Area will discourage and interfere with LFUCG's growth policies to encourage the sensible development of land within the existing Urban Service Area, and that the acquisition, financing, construction and development of those improvements and buildings, as identified in Exhibit B herein (collectively, the "Project"), will contribute to the public welfare of the citizens of Fayette County, and the Common-

wealth of Kentucky (the "State") and will thereby materially enhance the area and be in furtherance of the general health and welfare of the citizens of Fayette County and the State; and

WHEREAS, the Parties intend to enter into a Memorandum of Understanding relating to a swap of real property within the Coldstream Research Campus (the MOU") that is necessary to enable the development of the Development Area; and

WHEREAS, the Council of the LFUCG recognizes and determines individually that the project is a mixed-use development in a university research park which includes significant public infrastructure improvements; and

WHEREAS, the Parties recognize that the development of the Development Area, will not likely occur without a public-private partnership and financial assistance provided to the Project by the LFUCG and the State; and

WHEREAS, the Parties desire to set forth the duties and responsibilities of the Parties with respect to the administration, financing and pledging of Incremental Revenues in support of the development of the Project within the Development Area; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of the LFUCG has authorized the Mayor to execute and enter into this Agreement with the Agency and Developer, and the LFUCG desires to enter into this Agreement; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of the LFUCG has authorized the Commissioner of Finance to execute and enter into this Agreement with the LFUCG and Developer, and the Agency desires to enter into this Agreement; and

WHEREAS, pursuant to a resolution approved by the Developer, the Developer has authorized its managing member to execute and enter this Agreement with the LFUCG and the Agency, and the Developer desires to enter into this Agreement; and

WHEREAS, pursuant to the Act (as hereinafter defined), the LFUCG, the Agency and Developer desire to set forth their mutual agreements, understandings and obligations in this Local Participation Agreement, in order to facilitate development of the Project within the Development Area.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, and in consideration of the premises and the mutual covenants and undertakings contained herein, it is agreed and covenanted by and among the Parties hereto as follows:

SECTION I
Recitals

The Parties hereto agree that the above "recitals" or "recital clauses" are incorporated herein by reference as if fully restated herein and form a part of the agreement among the Parties hereto.

SECTION II
Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

1. "Act" or "the Act". Shall mean KRS 65.7041 to KRS 65.7083, KRS 154.30-010-154.30-090.

2. "Activation". Shall mean the 1st day of the calendar year for the computation of LFUCG Incremental Revenues, which shall be determined as provided in Section XII of this Agreement, but which shall be no later than four (4) years from the date of this Agreement.

3. "Administrative Costs". Shall mean those costs set forth in the Master Development Agreement at Section V(A) to be retained by Agency before reimbursing any costs to the Developer for Public Infrastructure Costs.

4. "Agreement". Shall mean this Local Participation Agreement, including all Exhibits attached hereto.

5. "Approved Public Infrastructure Costs". Shall be the Capital Investment, as defined in the Act, within the Development Area that is approved for reimbursement under the Act by KEDFA, and as further identified in the Tax Incentive Agreement.

6. "Developer" or "Master Developer". Shall mean the University of Kentucky, an instrumentality of the Commonwealth of Kentucky, its successors, affiliates, subsidiaries or related entities.

7. "Development Area". Shall have the meaning given in the Recitals to this Agreement.

8. "Development Area Ordinance". Shall mean Ordinance No. _____, adopted by the LFUCG on _____, 2018.

9. "Effective Date". Shall have the meaning given in the introductory paragraph of this Agreement.

10. "Financing Plan". Shall mean the plan for financing the Project as described in Section XI of this Agreement and in Exhibit D attached hereto, as it may be amended with the approval of the Parties.

11. "LFUCG Incremental Revenues". Shall mean the amount of tax revenues received by LFUCG with respect to the Development Area by subtracting Old Revenues from New Revenues in a calendar year after Activation.

12. "KEDFA". Shall mean the Kentucky Economic Development Finance Authority.

13. "LFUCG". Shall mean the Lexington-Fayette Urban County Government, a Kentucky urban county government organized under the provisions of Chapter 67A of the Kentucky Revised Statutes.

14. "LFUCG Authorizations". Shall mean those necessary governmental authorizations, resolutions, orders, hearings, notices, ordinances, and other acts, required by laws, rules, or regulations to provide the LFUCG and its officers with the proper authority to perform all obligations of the LFUCG resulting from this Agreement, and perform all other obligations of the LFUCG made necessary by, or resulting from the establishment of the Development Area.

15. "Master Development Agreement". Shall mean the Master Development Agreement among LFUCG, the Agency, and the Developer relating to the Project, dated the _____ day of _____, 2018, attached as Exhibit ___ to the Development Area Ordinance.

16. "Mixed-Use Program". Shall mean the Commonwealth Participation Program for Mixed-Use Redevelopment in Blighted Urban Areas as set forth in the Act at KRS 154.30-060.

17. "Mixed-Use Project". Shall mean a project meeting the qualifications of a mixed-use development as provided in the Act.

18. "New Revenues". Shall mean the total taxes received by LFUCG from occupational taxes (net profits taxes and employee payroll taxes) and from real property *ad valorem* taxes, including the general rate applicable to Fayette County, and from the special tax rates for refuse, street cleaning and street lights, but excluding any portion of the general *ad valorem* tax rate designated for the Lexington Public Library District from the Development Area during a calendar year after Activation; but provided there shall be excluded from New Revenues occupational taxes from employee payroll taxes from any existing jobs from Fayette County, outside the Development Area, that are relocated into the Development Area.

19. "Old Revenues". Shall mean the total taxes received by LFUCG from occupational taxes (net profits taxes and employee payroll taxes) and from real property *ad valorem* taxes, including the general rate applicable to Fayette County, and from the special rates for refuse, street cleaning and street lights, but excluding any portion of the general *ad valorem* tax rate designated for the Lexington Public Library District from the Development Area for base year as set forth in the Tax Incentive Agreement.

20. "Project Financing". Shall mean the financing needed to provide for the development and construction of the Project elements or any financing received by the

Developer, not including the pledge of LFUCG Incremental Revenues and/or State Incremental Revenues.

21. "Project". Shall mean the improvements within the Development Area.

22. "Public Infrastructure Costs". Shall mean the project costs incurred within the Development Area related to the construction and financing of the Project, including both Approved Public Infrastructure Costs and Redevelopment Assistance, as set forth and identified in Exhibit C of this Agreement, reimbursable by incremental revenues from the State and LFUCG, respectively, provided that the maximum amount of Public Infrastructure Costs that may be reimbursed from LFUCG Incremental Revenues shall not exceed the Reimbursement Cap.

23. "Redevelopment Assistance." Shall mean have the meaning as provided in the Act, and shall include Public Infrastructure Costs as set forth in Exhibit "C".

24. "Reimbursement Cap". Shall mean the maximum amount of Public Infrastructure Costs that may be reimbursed from LFUCG Increment and Revenues, which shall be an amount equal to the maximum amount of costs that may be reimbursed from State Incremental Revenues as set forth in the Tax Incentive Agreement.

25. "Special Fund". Shall mean The Coldstream Research Campus Development Area Special Fund established in the Development Area Ordinance and maintained by the Agency, for the purpose of holding the LFUCG Incremental Revenues and the State Incremental Revenues pledged herein or by the Tax Incentive Agreement in connection with the development of the Project.

26. "State". Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

27. "State Incremental Revenues". Shall mean the incremental state taxes pledged to reimburse Approved Public Infrastructure Costs as set forth in the Tax Incentive Agreement.

28. "Tax Incentive Agreement". Shall mean the anticipated agreement between KEDFA and the Agency related to the pledge of State Incremental Revenues to pay for Approved Public Infrastructure Costs in connection with the construction of the Project.

29. "TIF Documents". Shall mean the Development Area Ordinance, the Agreement, the Master Development Agreement, and the Tax Incentive Agreement.

30. "Unavoidable Delays". Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, inability to obtain construction materials or energy, fire, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III
Parties

The parties to this Agreement shall be the LFUCG, the Agency, and the Developer.

SECTION IV
Duties and Responsibilities of LFUCG

The LFUCG shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Provide for the establishment of the LFUCG Special Fund for the collection of Incremental Revenues pledged herein from LFUCG real property ad valorem taxes and occupational taxes (consisting of business occupational taxes and employee payroll taxes), within the Development Area from the Project.

2. Pledge eighty percent (80%) of the LFUCG Incremental Revenues to pay for Administrative Costs, and then to reimburse the Developer for costs expended for Public Infrastructure Costs, which amount shall not exceed Reimbursement Cap, for up to a twenty (20) year period, which pledge is made in Section VII herein.

3. Make, in participation with the Agency and the Developer, application to the KEDFA requesting State participation under the "Mixed-Use Program" in accordance with applicable provisions of the Act. The application shall request State participation, as provided in the Financing Plan; provided that the Developer shall pay the cost of any application and administrative fees to KEDFA, any consultant fees, and any professional fees incurred by KEDFA related to filing and approval of the application under the Mixed-Use Program, and/or related to the approval of the Tax Incentive Agreement; and any out of pocket costs, including professional fees, incurred by LFUCG relating to the establishment of the Development Area and the approval of the Tax Incentive Agreement, and any amendments thereto.

4. Designate the Agency as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.

5. Meet as may be required with the Developer and the Agency for the purpose of reviewing the progress of the development of the Development Area and

prepare an analysis of such progress for distribution to the Agency and the State in accordance with the TIF Documents and Act.

6. Require its Department of Finance, as the "Agency" for purposes of the Act, to prepare by no later than April 1st, or such other date to meet the reporting schedule of KEDFA and/or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to the LFUCG and KEDFA including, but not limited to: (a) the New Revenues collected within the Development Area during the previous calendar year; (b) a determination of LFUCG Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of LFUCG Incremental Revenues and State Incremental Revenues expended from the Special Fund to pay for or reimburse Public Infrastructure Costs and Administrative Costs in connection with the Project.

7. Upon Developer's request provide, or require the Agency to provide, written confirmation that the Developer is in good standing with its obligations under the terms of this Agreement.

8. Notwithstanding any other provision of this Agreement, should the swap of real property as provided in the MOU not occur, this Agreement shall be terminated, provided that Developer shall still be required to reimburse LFUCG's out of pocket costs related to the establishment of the Development Area and related to the submission of the application to KEDFA.

SECTION V
Duties and Responsibilities of the Agency

The Agency shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Act as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.

2. Participate with the LFUCG and Developer in the application to KEDFA, requesting State participation under the "Mixed-Use Program" in accordance with the applicable provisions of the Act. The application shall request State participation, as provided in the Financing Plan.

3. Meet as may be required with the Developer and the LFUCG for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the Agency and the State in accordance with the Act.

4. Prepare by no later than April 1st, or such other date to meet the reporting schedule of KEDFA, or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to the LFUCG, the Developer and KEDFA including, but not limited to: (a) New Revenues collected within the Development Area during the previous calendar year; (b) a determination of LFUCG Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, LFUCG Incremental Revenues and State Incremental Revenues expend from the Special Fund on to pay for or reimburse Public Infrastructure Costs and Administrative Costs.

5. Comply with any requirements and carry out any duties and responsibilities as the Agency under the terms of the TIF Documents, including expending LFUCG Incremental Revenues and State Incremental Revenues required by the Agency as required by this Agreement the Tax Incentive Agreement.

SECTION VI
Duties and Responsibilities of the Developer

1. The Developer shall be responsible for managing, coordinating, designing, obtaining necessary Project Financing, and constructing the Project, as provided in the Master Development Agreement,

2. The Developer shall meet with the LFUCG and Agency as requested to provide updates regarding the status of the Project. The Developer, for as long as required by the Master Development Agreement and/or Tax Incentive Agreement, shall provide annually to the Agency a certified account of Capital Investment (as defined in the Act) and Public Infrastructure Costs that have been expended on the Project.

3. The Developer shall provide the Agency information related to the Project in order to enable the Agency to timely comply with any reporting requirements related to the Project as set forth in the Tax Incentive Agreement. The Developer shall also require any businesses within the Development Area to obtain separate local and state business licenses as required by the Tax Incentive Agreement, and to assist LFUCG in the tracking and computing of New Revenues related to the computation of the LFUCG Incremental Revenues and State Incremental Revenues. In addition, the Developer shall report to LFUCG any existing jobs from Fayette County that are relocated into the Development Area to enable the LFUCG occupational tax from employee payroll taxes from those jobs to be excluded from the calculation of New Revenues.

4. In the event the Developer fails to timely comply with the reporting and other requirements in Section VI(3) of this Agreement, the LFUCG, may at its option, suspend the payments of LFUCG Incremental Revenues or State Incremental Revenues to the Developer as required herein, until such time as the Developer complies with the reporting or other requirements; provided, that after notice the Developer fails to provide the requested information, or repeatedly provides the information late, the LFUCG and Agency may terminate this Agreement, which termination shall be provided by written notice to the Developer.

SECTION VII
Identification and Pledge of Incremental Revenues

1. The LFUCG hereby pledges eighty percent (80%) of the LFUCG Incremental Revenues, to pay for Administrative Costs, and then to reimburse the Developer for costs expended for Public Infrastructure Costs, not to exceed the Reimbursement Cap, for up to a twenty (20) year period after Activation of the Development Area; provided, however, that the pledge of LFUCG Incremental Revenues shall be conditioned upon the approval of a Tax Incentive Agreement pledging State Incremental Revenues under the Mixed-Use Program; and further the release of LFUCG Incremental Revenues shall not occur until the Minimum Capital Investment in the Tax Incentive Agreement has been achieved and certified by KEDFA. The LFUCG Incremental Revenues shall be determined by calculating the New Revenues collected from the Development Area, and subtracting the Old Revenues collected from within the Development Area. An estimate of the Old Revenues collected by the LFUCG from within the Development Area is attached hereto as Exhibit E.

2. LFUCG Incremental Revenues pledged by the LFUCG in this Section shall be deposited at least annually, no later than each June 1st after the first calendar year of Activation, to the Special Fund and shall be held by the Agency and used solely for to pay Administrative Costs, and then to reimburse the Developer for Public Infrastructure Costs, up to the amount of the Reimbursement Cap, and for no other purpose. Such Special Fund shall be continued and maintained until the Termination Date (as defined in the Development Area Ordinance) of the Development Area. Amounts in the Special Fund, together with interest accruing thereon, are hereby irrevocably pledged for the payment of costs as provided in this Section VI of this Agreement, and for no other purpose.

3. LFUCG Incremental Revenues and State Incremental Revenues that are deposited in the Special Fund and due to the Developer shall be paid to the Developer no later that sixty (60) days from the date they are deposited in the Special Fund, but subject to the conditions on the release of LFUCG Incremental Revenues as set forth in Section VII(1) of this Agreement, and provided that the payments to the Developer from LFUCG Incremental Revenues shall not exceed the Reimbursement Cap.

4. At the Termination Date (as defined in the Development Area Ordinance), after all amounts due the Developer as provided herein have been paid, all amounts remaining in the Special Fund shall be transferred to the General Fund of the LFUCG

SECTION VIII
Anticipated Benefits to the LFUCG

The LFUCG anticipates receiving substantial benefits as a result of the pledge of their Incremental Revenues to support development of the Development Area as set forth herein. Estimates of Old Revenues are attached as Exhibit E and projected New

Revenues for the LFUCG on an annual basis during the term of this Agreement are attached as Exhibit F hereto. The maximum amount of LFUCG Incremental Revenues to be paid by the LFUCG shall be eighty percent (80%) of the LFUCG Incremental Revenues generated from the Development Area, but subject to the other conditions of this Agreement, and the maximum number of years the payment of Incremental Revenues to support the development of the Development Area will be made is twenty (20) years.

SECTION IX
Description of Development Area

A detailed description of the Development Area is set forth in Exhibit A hereto.

SECTION X
Description of Project; Costs

A detailed description of the individual projects that collectively constitute the Project is set forth in Exhibit B hereto. Also included in Exhibit B is an estimate of the costs of construction, acquisition and development of such proposed projects. The elements of the Project planned to be supported or paid for with LFUCG Incremental Revenues and State Incremental Revenues are listed on the attached Exhibit C, subject to further amendment with approval by the Parties.

SECTION XI
Financing Plan

The financing for the Project shall generally be in accordance with the Financing Plan set forth in Exhibit D attached hereto. It is understood that the Financing Plan for the Project may be modified as development of the Project progresses and that more specific details of the nature of each aspect of financing the Project shall be more particularly contained in any Project Financing and other documents at the time that each

aspect of the financing needed for the Project is obtained; provided, however without further approval of the LFUCG, the LFUCG Incremental Revenues and the State Incremental Revenues shall be used to reimburse Public Infrastructure Costs expended by the Developer, and not to support increment bonds issued by LFUCG.. However, the pledge of LFUCG Incremental Revenues herein to support payment of Public Infrastructure Costs to support the Project shall not be modified without the specific approval of the LFUCG and the Developer.

IT IS UNDERSTOOD BY THE PARTIES THAT THE PROJECT FINANCING FOR THE PROJECT AS PROVIDED IN THIS AGREEMENT SHALL NOT CONSTITUTE A DEBT OF THE LFUCG, THE AGENCY OR THE STATE OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE LFUCG, THE AGENCY OR THE STATE AND THE LFUCG, THE AGENCY AND THE STATE SHALL HAVE NO OBLIGATION, WHATSOEVER, TOWARD THE PAYMENT OF ANY DEVELOPER'S COSTS FOR THE PROJECT BEYOND THE PLEDGE OF LFUCG INCREMENTAL REVENUES OR STATE INCREMENTAL REVENUES AS PROVIDED FOR IN THIS AGREEMENT, AND THAT ANY PROJECT FINANCING NEEDED FOR THE PROJECT SHALL BE THE RESPONSIBILITY OF THE DEVELOPER.

SECTION XII
Commencement Date; Activation Date; Termination Date

This Agreement shall commence and be effective as of the date of execution hereof by the LFUCG. The activation date for the pledge of Incremental Revenues as set forth in Section VI hereof shall be determined by the LFUCG and Developer in accordance with the Act. This Agreement shall terminate twenty (20) years after the activation date as set forth above. This Agreement shall not terminate upon the

execution of any deeds or other agreements required or contemplated by this Agreement, or referred to herein, and the provisions of this Agreement shall not be deemed to be merged into the deeds, or any other such deeds or other agreements, it being the intent of the parties hereto that this Agreement shall survive the execution and delivery of any such agreements.

SECTION XIII
Default

If the LFUCG or the Agency (a "Defaulting Party") shall default in its obligation to make payments of Incremental Revenues set forth herein, the Agency (unless it is the Defaulting Party), the Developer and/or the indenture trustee or trustees for outstanding financing obligations secured by such Incremental Revenues shall have the power to enforce the provisions of this Agreement against the Defaulting Party. If the LFUCG or the Agency materially breaches or defaults on any of its nonpayment related obligations under this Agreement, The Developer, and/or the indenture trustee or trustees for the outstanding financing obligations may give notice that remedial action must be taken within thirty (30) days. The Defaulting Party shall correct such breach or default within thirty (30) days after such notice, provided however that if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within thirty (30) days and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy the default shall be extended for such period of time as may be necessary to remedy the same with all due diligence.

SECTION XIV
Governing Law

The laws of the Commonwealth of Kentucky shall govern as to the interpretation, validity and effect of this Agreement.

SECTION XV
Severability

If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties essential objectives as expressed herein.

SECTION XVI
Force Majeure

The LFUCG shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non-performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non-performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay. Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning such

Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default. All provisions of any construction schedule shall be adjusted in accordance with such Unavoidable Delay.

SECTION XVII
Notices

Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to the LFUCG:	Mayor Jim Gray 200 East Main Street Lexington, Kentucky 40507
With a Copy to:	Janet M. Graham 200 East Main Street Lexington, Kentucky 40507
With additional Copies to:	Kevin Atkins Chief Development Officer 200 E. Main Street Lexington, Kentucky 40507
If to the Agency:	William O'Mara 200 East Main Street Lexington, Kentucky 40507
With additional Copies to:	Kevin Atkins Chief Development Officer 200 East Main Street Lexington, KY 40507
If to Developer:	George Ward Executive Director Coldstream Research Campus and UK Real Estate Services University of Kentucky 1500 Bull Lea Road, Ste. 100 Lexington, KY 40511
With a Copy to:	General Counsel University of Kentucky 301 Main Building Lexington, KY 40506-0032
With additional Copies (which shall not constitute notice) to:	Nick Nicholson Stoll Keenon Ogden PLLC 300 W. Vine Street, Suite 2100 Lexington, KY 40507

SECTION XVIII
Approvals

Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within thirty (30) business days and shall not be unreasonably withheld or delayed by the party from whom such approval or consent is required.

SECTION XIX
Entirety of Agreement

As used herein, the term "Agreement" shall mean this Local Participation Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any part.

SECTION XX
Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

SECTION XXI
Headings and Index

The headings in this Agreement and the Index are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

SECTION XXII
Exhibits

All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

SECTION XXIII
No Waiver

No waiver of any condition or covenant of this Agreement to be satisfied or performed by the LFUCG shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

SECTION XXIV
Construction

No provisions of this Agreement shall be construed against a party by reason of such party having drafted such provisions.

SECTION XXV
Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

SECTION XXVI
Relationship of the Parties

Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association among any of the Parties of this Agreement.

SECTION XXVII
No Third Party Beneficiary

Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of the LFUCG, the Agency, and the Developer, their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

SECTION XXVIII
Diligent Performance

With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof.

Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

SECTION XXIX
Assignment of Rights and Delegation of Duties

No Party to this Agreement may assign this Agreement, or any part hereof, except as provided herein, without the prior written consent of the other Parties, except that the Developer may assign its rights to receive reimbursement for Public Infrastructure Costs to a financial institution that provides Project Financing. Nothing in this Section shall be construed to require prior written consent for the Developer to assign any of its rights or obligations under this Agreement to a subsidiary, affiliate or related entity.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
a Kentucky urban county government

By:_____
Jim Gray, Mayor
Lexington-Fayette Urban County Government

Approval as to Form:

Janet M. Graham
Commissioner of Law for the Lexington-Fayette Urban County Government

DEPARTMENT OF FINANCE

By:_____
William O'Mara
Commissioner of Finance for the Lexington-Fayette Urban County Government

UNIVERSITY OF KENTUCKY
An instrumentality of the Commonwealth
of Kentucky

By: _____
Eric Monday
Executive Vice President of
Finance and Administration

Reviewed by: _____
George Ward
Executive Director
Coldstream Research Campus
and UK Real Estate Services

EXHIBITS

Exhibit A: Development Area Map and Description

Exhibit B: The Project

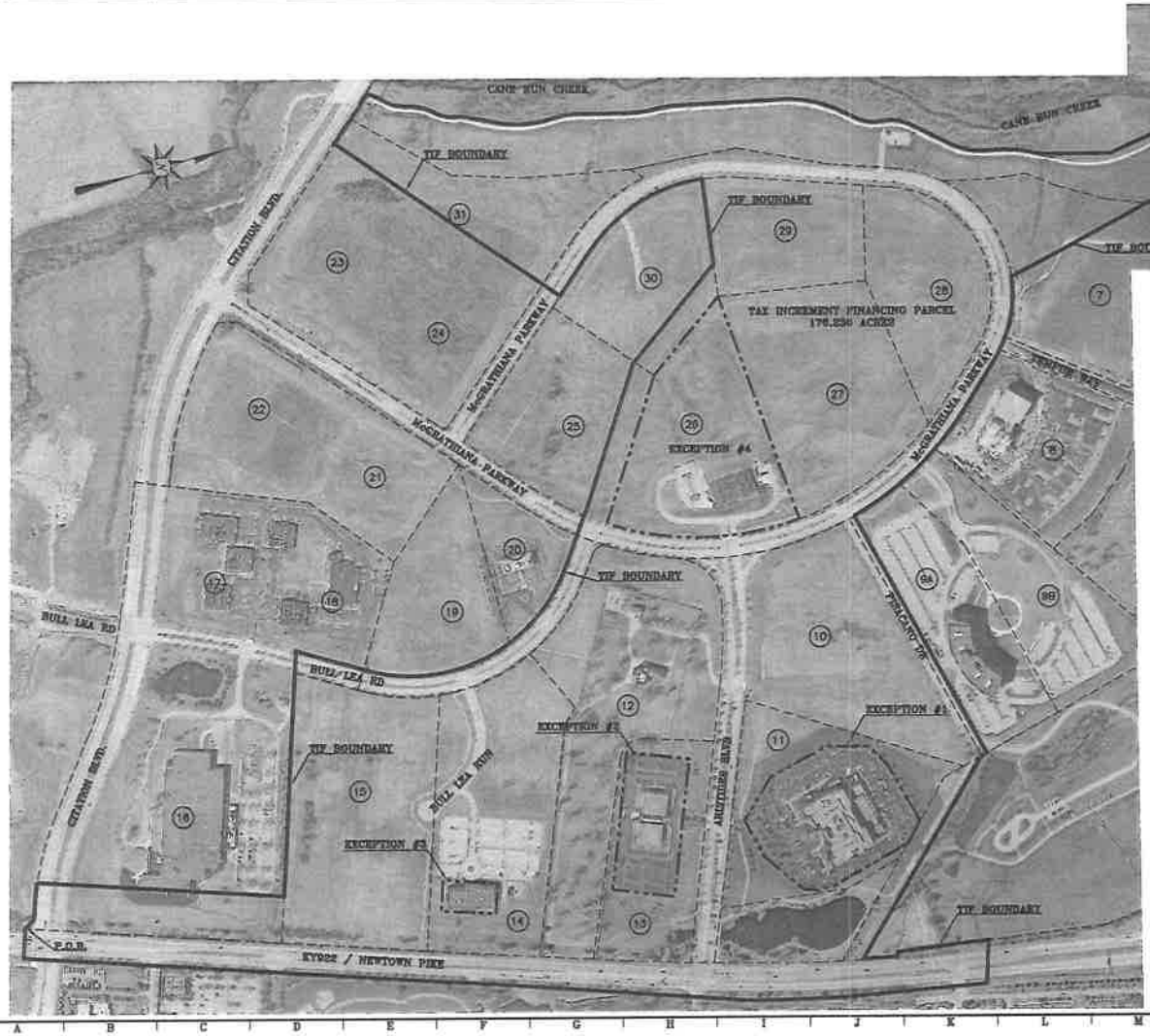
Exhibit C: Elements of Project to be Financed with Incremental Revenues

Exhibit D: Financing Plan

Exhibit E: Estimated Old Revenues from Development Area

Exhibit F: Listing of Anticipated Incremental Revenues for the LFUCG

Exhibit A: Development Area Map and Description



DATA SOURCE:
THIS EXHIBIT DEPICTS DATA COMPILED FROM RECORD DOCUMENTS LOCATED IN THE FAYETTE COUNTY CLERK'S OFFICE AND DOES NOT REPRESENT A FIELD SURVEY. THIS DOCUMENT SHALL NOT BE USED FOR REAL ESTATE SALE OR TRANSFER.

VISION ENGINEERING

COLDSTREAM RESEARCH CAMPUS
TAX INCREMENT FINANCING PARCEL
NEWTOWN PIKE AND CITATION BLVD
LEXINGTON, FAYETTE COUNTY, KENTUCKY

TIF EXHIBIT

TE-1

Tax Increment Financing Parcel

A certain parcel of land lying along Newtown Pike and Citation Boulevard in the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

Beginning at the intersection of the southern Right-of-Way line of Citation Boulevard with the western Right-of-Way line of Newtown Pike as depicted on Coldstream Research Campus - Unit 1A Final Record Plat as recorded in Plat Cabinet K, Slide 617 of the Fayette County Clerk's records; thence with said southern Right-of-Way line of Citation Boulevard for two (2) calls:

1. N 27°55'08" W a distance of 51.21';
2. Along a curve turning to the right with an arc length of 162.73', with a radius of 1542.50', with a chord bearing of N 69°45'23" W, with a chord length of 162.66'; thence crossing said Citation Boulevard and severing Lot 16 as depicted on said Plat Cabinet K, Slide 617 for one (1) call:

3. N 18°57'53" E a distance of 1062.99' to a point on the line of Lot 15 as depicted on Coldstream Research Campus - Unit 1B Final Record Plat as recorded in Plat Cabinet N, Slide 276; thence with the line of said Lot 15 for one (1)call:

4. N 71°27'19" W a distance of 1057.29' crossing Bull Lea Road to a point on the on the western Right-of-Way line of said Bull Lea Road; thence with said western Right-of-Way Line, crossing McGrathiana Parkway and severing Lot 25 as depicted on Coldstream Research Campus Unit 2B, Section 2 Final Record Plat as recorded in Plat Cabinet L, Slide 750 for three (3):

5. N 31°15'02" E a distance of 311.34';
6. Along a curve turning to the left with an arc length of 1049.21', with a radius of 705.00', with a chord bearing of N 11°23'05" W, with a chord length of 955.03',;
7. N 55°53'52" W a distance of 930.41' to a point on the line of Lot 30 as depicted on Coldstream Research Campus - Unit 3 Final Record Plat as recorded in Plat Cabinet M, Slide 32; thence severing said Lot 30 for one (1) call:

8. N 35°12'46" W a distance of 547.12' to a point on the line of Lot 29 of said Plat Cabinet M, Slide 32; thence with the line of said Lot 29 for one (1) call:

9. N 82°04'22" W a distance of 366.33' to a point on the eastern Right-of-Way line of said McGrathiana Parkway; thence with said eastern Right-of-Way line for two (2) call:

10. Along a curve turning to the left with an arc length of582.95', with a radius of 705.00', with a chord bearing of S 16°50'42" E, with a chord length of 566.48',;
11. S 40°32'00" E a distance of 233.61'; thence crossing said McGrathiana Parkway and severing lot 31 as depicted on Coldstream Research Campus - Unit 4 Final Record Plat as recorded in Plat Cabinet L, Slide 794 for one (1) call:

12. S 49°28'00" W a distance of 1162.60' to a point on the northern Right-of-Way line of Citation Boulevard; thence with said northern Right-of-Way line for one (1) call:

13. N 40°31'57" W a distance of 257.61'; thence along a line being 20 feet from and parallel with the centerline of an existing pedestrian trail and severing Parcel 2 as depicted on Coldstream Farm Public Acquisition Subdivision Plat as recorded in Plat Cabinet J, Slide 490 for nineteen (19) calls:

14. N 41°07'15" E a distance of 102.09';
15. Along a curve turning to the left with an arc length of 63.11', with a radius of 212.90', with a chord bearing of N 26°07'40" E, with a chord length of 62.88',;
16. Along a reverse curve turning to the right with an arc length of 125.48', with a radius of 222.41', with a chord bearing o N 25°39'06" E, with a chord length of 123.83',;
17. Along a reverse curve turning to the left with an arc length of 108.42', with a radius of 153.06', with a chord bearing of N 27°24'31" E, with a chord length of 106.16',;
18. Along a reverse curve turning to the right with an arc length of 62.09', with a radius of 146.31', with a chord bearing of N 21°06'47" E, with a chord length of 61.63',;
19. N 25°39'55" E a distance of 136.18';
20. Along a curve turning to the left with an arc length of 181.65', with a radius of 512.04', with a chord bearing of N 11°37'21" E, with a chord length of 180.70',;
21. Along a reverse curve turning to the right with an arc length of 172.55', with a radius of 449.79', with a chord bearing of N 05°53'10" E, with a chord length of 171.50',;
22. N 14°39'30" E a distance of 167.13';
23. Along a curve turning to the left with an arc length of 104.96', with a radius of 611.25', with a chord bearing of N 10°17'55" E, with a chord length of 104.83',;
24. Along a reverse curve turning to the right with an arc length of 161.40', with a radius of 656.85', with a chord bearing of N 06°49'32" E, with a chord length of 160.99',;
25. N 12°18'06" E a distance of 432.88';
26. Along a curve turning to the right with an arc length of 253.58', with a radius of 514.07', with a chord bearing of N 28°21'31" E, with a chord length of 251.01',;
27. N 40°13'37" E a distance of 50.32';
28. Along a curve turning to the left with an arc length of 114.85', with a radius of 172.52', with a chord bearing of N 25°12'54" E, with a chord length of 112.74',;
29. Along a reverse curve turning to the right with an arc length of 146.42', with a radius of 197.71', with a chord bearing of N 22°58'29" E, with a chord length of 143.10',;
30. N 41°40'21" E a distance of 159.56';
31. Along a curve turning to the left with an arc length of 167.49', with a radius of 297.54', with a chord bearing of N 28°04'16" E, with a chord length of 165.28',;
32. Along a reverse curve turning to the right with an arc length of 253.64', with a radius of 691.87', with a chord bearing of N 19°05'20" E, with a chord length of 252.22',; thence leaving trail and continuing severance for six (6) calls:

33. N 14°56'47" E a distance of 284.25';
34. N 09°03'21" W a distance of 252.52';
35. N 69°32'49" W a distance of 499.27';
36. N 20°27'11" E a distance of 232.25';
37. S 69°32'49" E a distance of 694.24';
38. S 00°49'09" W a distance of 195.27'; thence continuing severance of said Parcel 2 and severing Lot 7 as depicted on Coldstream Research Campus - Unit 3 as recorded in Plat Cabinet R, Slide 26 for one (1) call:

39. S 12°56'14" E a distance of 767.92' to a point on the northern Right-of-Way line of said McGrathiana Parkway; thence with said northern Right-of-Way for three (3) calls:

40. Along a curve turning to the right with an arc length of 369.84', with a radius of 554.43', with a chord bearing of S 62°20'29" E, with a chord length of 363.02',;
41. S 43°03'52" E a distance of 240.61';
42. Along a curve turning to the right with an arc length of 671.27', with a radius of 1345.00', with a chord bearing of S 28°46'01" E, with a chord length of 664.33',; thence severing Lot 9A as depicted on Coldstream Research Campus - Unit 3 as recorded in Plat Cabinet N, Slide 846 for one (1) call:

43. N 76°35'48" E a distance of 1166.23' to a point on the line of Parcel 2 of said Plat Cabinet J, Slide 490; thence with the line of said Parcel 2 for one (1) call:

44. S 13°24'12" E a distance of 25.00'; thence severing said Parcel 2 for one (1) call:
45. S 44°16'13" E a distance of 1015.91' to a point on the western Right-of-Way line of Newtown Pike; thence with said western Right-of-Way line for three (3) calls:
46. N 11°18'38" E a distance of 146.52';
47. N 64°42'40" W a distance of 21.81';
48. N 08°00'41" E a distance of 390.08'; thence crossing said Newtown Pike for one (1) call:
49. S 72°03'07" E a distance of 188.29' to a point on the eastern Right-of-Way line of Newtown Pike; thence with said eastern Right-of-Way line for eight (8) calls:

50. S 10°06'56" W a distance of 548.53';
51. S 11°25'56" W a distance of 110.42';
52. S 12°34'56" W a distance of 106.67';
53. S 13°34'55" W a distance of 113.70';
54. S 14°48'56" W a distance of 108.87';
55. S 19°18'43" W a distance of 1125.75';
56. S 18°52'52" W a distance of 917.21';
57. S 18°57'53" W a distance of 1103.01'; thence crossing said Newton Pike for one (1) call:

58. N 71°02'07" W a distance of 130.00' to Point of Beginning containing 8667775.49square feet or 198.985acres

Exception 1

Beginning at a point on the line of Parcel 2 as depicted on said Plat Cabinet J, Slide 490, said point being N 08°49'56" E a distance of 3860.67' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 11 as depicted on Coldstream Research Campus - Unit 2A as recorded in Plat Cabinet K, Slide 623 for eleven (11) calls:

1. S 75°53'25" W a distance of 274.90';
2. S 61°51'03" W a distance of 112.98';
3. S 15°43'15" W a distance of 180.39';
4. S 12°41'41" E a distance of 275.66';
5. S 43°39'49" E a distance of 218.84';
6. N 77°48'23" E a distance of 174.43';
7. N 55°28'14" E a distance of 222.62';
8. N 19°13'23" E a distance of 64.38';
9. N 01°29'19" W a distance of 70.95';
10. N 14°37'52" W a distance of 361.27';
11. N 45°37'04" W a distance of 109.93' to the Point of Beginning, containing 312680.13 square feet or 7.178 acres.

Exception 2

Beginning at a point N 01°21'18" E a distance of 2939.27' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 13 as depicted on Coldstream Research Campus - Unit 2A as recorded in Plat Cabinet K, Slide 623 for four (4) calls:

1. S 68°04'41" E a distance of 596.91';
2. S 22°10'40" W a distance of 266.15';
3. N 68°18'35" W a distance of 594.95';
4. N 21°45'27" E a distance of 268.56' to the Point of Beginning, containing 159323.12 square feet or 3.658 acres.

Exception 3

Beginning at a point N 13°21'38" E a distance of 1786.53' from the Point of Beginning of the above described Tax Increment Financing Parcel; thence severing Lot 14A as depicted on Coldstream Research Campus - Unit 1B as recorded in Plat Cabinet N, Slide 276 for four (4) calls:

1. N 18°08'35" E a distance of 234.66';
2. N 71°51'25" W a distance of 130.97';
3. S 19°05'46" W a distance of 232.45';
4. S 70°54'14" E a distance of 134.86' to the Point of Beginning, containing 31040.42 square feet or 0.713 acres.

Exception 4

Beginning Lot 26 as depicted on Coldstream Research Campus - Unit 2B as recorded in Plat Cabinet L, Slide 349.

Exhibit B: The Project

Commonwealth Economics

Coldstream Research Campus

Tax Increment Financing Feasibility Analysis

Submitted To:

University of Kentucky

Submitted By:

Commonwealth Economics

October 2017

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VII. CONCLUSION

I. EXECUTIVE SUMMARY

As a part of the University of Kentucky's ("University") mission to excel as a leading research university and promote entrepreneurial growth in the Lexington business community, the University is looking to continue its development of the Coldstream Research Campus over the next several years. The continuation of the Coldstream Research Campus Development Project ("Project") is expected to provide new high-tech laboratories, office and incubator space, and supportive retail and restaurant options within a short walking distance to a new hotel and multi-family housing.

However, this type of development comes at a high – and often prohibitive – cost. In order to make it more affordable, the Commonwealth of Kentucky has created several Tax Increment Financing ("TIF") programs. TIF programs use the increase in state and local tax revenue created by new projects to help finance some of the high public infrastructure costs associated with them. By using the State's TIF Program, the University may be able to offset certain out-of-pocket infrastructure expenditures associated with the development Project.

This analysis examines the feasibility of the Coldstream Research Campus Development Project utilizing the TIF program locally and qualifying for TIF incentives at the State level, and provides quantitative analysis of the potential incentives available given the proposed scope of the project.

Highlights

- **Public Infrastructure Expenditures –** The Project would not happen without certain expenditures on infrastructure. The Project includes several public infrastructure elements, such as; public parking, street/sidewalk/utility/road improvements, and public spaces. This type of project is specifically what the State's TIF Program is designed to incentivize.

- **Need for funding assistance -** Public Infrastructure costs can often make private development prohibitive and are expensive for a private developer and the local government to undertake alone. The Commonwealth's TIF program provides a mechanism to use State tax revenues to help pay for these types of expenditures.

- **State incentives could be utilized -** The State Mixed-Use TIF Program is likely the best fit for the Coldstream Research Campus Development Project. Under the State Mixed-Use TIF Program, sales tax, income tax, and occupational taxes are recoverable, in addition to property taxes. The use of this program could add state tax revenue contributions to local tax contributions in order to finance some of the public infrastructure costs.

- **Project could generate substantial tax revenue -** This analysis estimates that the project elements could generate approximately $127.9 million in TIF-eligible incremental tax revenue over a 20-year period. After 20% of these estimated revenues are retained by the State and Local governments, up to an estimated $102.4 million could be available for recovery through the program. Of this amount, approximately $67.5 million is State tax revenue and $34.9 million is Local tax revenues.

- **Connecting the Lexington community** – This Project has the potential to further define the aesthetic and economic development environment for Lexington and serves as a gateway to Lexington's high-tech higher education corridor, a 5-mile span that connects the technology and R&D companies located at Coldstream with the Bluegrass Community and Technical College, Transylvania University, Lexington's downtown business center and entrepreneurial community, and the University of Kentucky.

II. INTRODUCTION

The University of Kentucky is looking to continue the development of its Coldstream Research Campus located in the Kentucky Bluegrass Region. This Project will further the University's mission by encouraging new business growth and cutting-edge R&D within the Lexington business community. As a part of its Project plan, the University has already identified several of the project's biggest needs, goals, and objectives.

This continued development of the research campus, which includes: new laboratories, high-tech office space, a new hotel, residential space, retail, restaurant and updated infrastructure, comes at a high cost. Without assistance or incentives being provided by the state and local governments, the University will not be able to complete this development Project as envisioned and it will be difficult to attract innovative companies with growth potential.

Tax Increment Financing

In order to help facilitate this type of development, the Commonwealth of Kentucky has created a number of different Tax Increment Financing programs. This analysis estimates the Project's potential economic and fiscal impacts and summarizes the potential use of Tax Increment Financing ("TIF") in order to fund a portion of the Coldstream Research Campus Development Project (the "Project").

Under Kentucky law, local governments have the authority to establish a "Development Area" (otherwise known as a TIF District) and pledge certain incremental local taxes in order to provide Redevelopment Assistance to an economic development project. Additionally, certain projects may also qualify under one of the Commonwealth's state-level TIF programs, depending upon the overall capital investment and nature/scope of the project.

TIF programs use the increase in state and local tax revenues created after projects are developed (the "increment") in order to help finance some of the high infrastructure and redevelopment costs associated with certain projects. This financing is often structured by the applicable local government issuing tax increment bonds - either as the guarantor or just as a conduit for the bonds. The proceeds of the bonds are used to pay for approved public infrastructure costs. The annual increment is then used to pay principal and interest on the bonds each year until retired.

While receiving final TIF approval at the State level does not ensure that upfront financing will be available, it makes it much more likely that financing can be obtained since incremental revenues will be available to pay for or offset debt service costs. By using the State's TIF Program, the University may be able to recover some of the costly infrastructure expenditures, thus making the Project more feasible.

This analysis examines the potential economic and fiscal impacts of the Project and its ability to utilize TIF incentives based on the proposed scope of the Project as has been provided and described to Commonwealth Economics.

Background

The University of Kentucky's Coldstream Research Campus is a premier business site located in the heart of the Kentucky Bluegrass Region. Once a prominent Kentucky horse farm and home to the first Kentucky Derby winner, Aristides, Coldstream's 735-acre campus has transitioned into a hub of innovation and creativity.

Today, Coldstream is home to over 50 organizations with more than 2,100 employees working in biotechnology, pharmaceuticals and equine health, and a variety of other industry sectors. Beyond an economic driver, Coldstream connects local students, researchers, and resources to a vibrant entrepreneurial community with a national top ten educated workforce.

Adding to Coldstream's appeal is a major recreational amenity that includes a 225-acre city park with lush green spaces, a 1.8 mile section of Lexington's 12-mile running/bicycling Legacy Trail that connects downtown Lexington to the Kentucky Horse Park, and two large fenced in dog park areas.

Project Description

The proposed Project would promote the addition of new laboratory and incubator space through a mixture of public and private investment. The aim is to provide additional space for innovative businesses and employees to thrive, while also providing complimentary and supportive hospitality, dining, retail, and residential options and the public infrastructure required to attract growing businesses and to support a greater level of density and vertical development.

In working with the state and local governments to help provide the infrastructure needed to support the development Project, the University plans to facilitate the development of first-class laboratory and office space, a new hotel to host business travelers and events, supportive retail and restaurant options for patrons and businesses to utilize, and residential uses, all within close proximity in order to create a truly walkable campus environment. The University has identified the following as the most likely Project elements, to be built out over a projected 6-year period:

Vertical Improvements

- Lab Space ~ 190,000 (sq ft). Estimated cost of $74.1 million
- Office Space ~ 234,000 (sq ft). Estimated cost of $47.0 million
- Residential ~ 243,000 (sq ft). Estimated cost of $27.1 million
- Hotel ~ 125 rooms. Estimated cost of $11.7 million
- Restaurant Space ~ 21,000 (sq ft). Estimated cost of $3.5 million
- Retail Space ~15,000 (sq ft). Estimated cost of $2.5 million
    - Total estimated vertical costs of approximately $165.9 million

Infrastructure Improvements

- Land preparation
- Roadway and pedestrian connectivity improvements
- Expansion of sidewalks and additional streetscape improvements
- Construction of additional parking
- Sewage and drainage system improvements
- Utility improvements
- Public Space improvements
    - Total estimated Infrastructure costs of approximately $33.1 million

III. QUALIFYING PUBLIC INFRASTRUCTURE

If the Project successfully applies for participation through a State TIF Program, it may be eligible to recover up to 100 percent of Approved Public Infrastructure costs, certain soft costs and costs related to land preparation, demolition and clearance through the recapture of local and state incremental tax revenues. By law, these Approved Public Infrastructure costs may include:

- land preparation and demolition
- public buildings/structures
- sewers/storm drainage
- curbs, sidewalks, promenades, and pedways
- roads and street lighting
- provision/modification of utilities
- environmental remediation
- floodwalls/floodgates
- public spaces and parks
- parking
- easements of rights of way
- transportation facilities
- public landings
- amenities (fountains, benches, sculptures, etc.)
- river bank modifications
- related soft costs, legal fees, and contingencies;

All of the proposed public infrastructure Project elements discussed in the previous section should qualify under one of these categories of public infrastructure. While these costs may be recoverable, it should be understood that the funding of these anticipated public infrastructure improvements would be on a reimbursement basis that will require proof of the expenditure before funds will be released through the TIF program and that the amount available from State participation will be subject to a cap.

In addition, these funds will not be available until the Project meets a minimum spending threshold (discussed in the next section) and also begins to generate the incremental tax revenues that can then be used to make financing payments or reimburse the out-of-pocket expenditures on these elements.

IV. STATUTORY REQUIREMENTS

While there are three state TIF programs available, the program that best fits this Project is the State Mixed-Use TIF Program. If the Project qualifies for the "State Mixed-Use Program" it would be able to use a variety of incremental taxes in order to finance the qualifying public infrastructure costs:

- State Sales tax
- State Ad Valorem (real property) tax
- State Individual Income tax
- State Corporate Income tax
- Local Ad Valorem (real property) taxes
- Local Occupational taxes

All of the recovered taxes must be generated within the Project's TIF Footprint.

State Mixed-Use TIF Requirements

The Project will need to meet a number of statutory requirements to qualify for participation in the State Mixed-Use TIF Program, including the following:

- It must have a net positive economic and fiscal impact to the Commonwealth.
- It must not include any retail establishment that exceeds twenty thousand (20,000) square feet of finished space.
- It must meet the required minimum capital investment of $20,000,000 (and not exceed $200,000,000).
- It must include pedestrian amenities and public space.
- The development area must be less than the maximum three square miles.
- The development must include at least two of the following: retail, residential, office, restaurant, or hospitality.

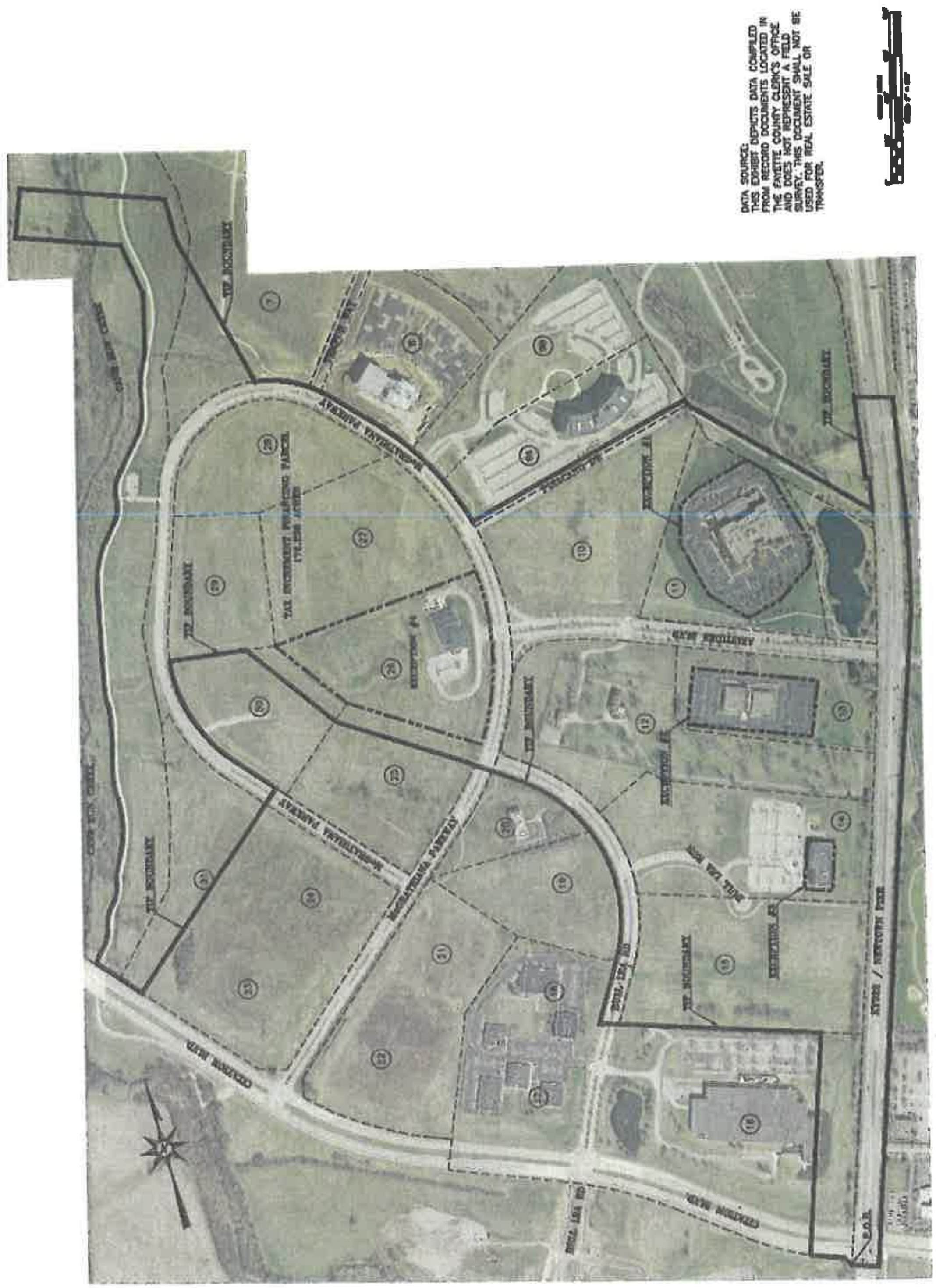
Under the mixed-use TIF program, the tax recovery period is limited to 20 years.

If any one of the buildings located within the Development Area houses a single retail tenant over the 20,000 square foot limit, it will not be eligible to be included in the mixed-use TIF program. In other words, the state taxes generated by retail establishments of over 20,000 square feet would not be eligible for recovery through TIF.

Given the plans for the Project, the current conditions in the area, and the location of certain Project elements, the University and Commonwealth Economics have identified the general area shown in Figure 1, on the next page, as a potential Development Area boundary.

Commonwealth Economics

Figure 1



V. FUTURE TIF-ELIGIBLE TAX REVENUE ESTIMATES

For the purpose of estimating the amount of potentially available TIF dollars generated within the footprint that may be available to finance bonds or otherwise repay any approved public infrastructure expenditures, it is necessary to calculate the expected tax revenue generated in the new footprint. Fiscal impact measures TIF-eligible tax revenues that result from the spending and income related to the activities at the Project. This analysis estimates the fiscal impacts of the Project and the TIF-eligible tax revenues available as a result of these impacts. Only taxes that are eligible for participation in tax increment financing programs are used in this section of the analysis.

Below is a breakdown of the taxes used to determine the fiscal impacts of the Project:

- State taxes:
  - Property Tax ..... $0.122 per $100 of assessed value
  - Sales Tax ..... 6.00 percent of sales
  - Individual Income Tax ..... 4.20 percent of income[1]
  - Corporate Income Tax..... $0.095 per $100 of gross receipts or $0.75 per $100 of profits[2]
- Local taxes:
  - Property Tax ..... $0.204 per $100 of assessed value[3]
  - City Occupational License Fees ..... 2.25 percent of salaries[4]

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[1] Although Kentucky has a graduated income tax, Commonwealth Economics is using an effective income tax rate of 4.2 percent on all income earned in the state.

[2] Corporate income tax rates are graduated and taxpayer-specific. The indicated rates reflect an alternative minimum calculation, used in this study for analytical purposes.

[3] Assumes full participation from the Lexington-Fayette Urban County real property tax which may include: full-services of .1738% and general services of .03%. By law, School and library taxes are not eligible for participation in the State TIF programs.

[4] Assumes full participation from the Lexington-Fayette Urban County Government occupational license fees.

The proposed Project, as detailed in Section II, includes a variety of proposed vertical components, each of which has the potential to generate incremental future tax revenues that could be recovered under the Mixed-Use TIF Program to help pay for or partially offset the costs of the public infrastructure components.

Commonwealth Economics has analyzed these project components to estimate the potential annual fiscal impact. This type of development will significantly add to the tax base within the proposed footprint and provide additional incremental revenue recoverable under the Mixed-Use TIF Program[5].

Baseline Tax Revenue Calculation

In order to properly estimate the tax revenues that may actually be available for a mixed-use TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. The baseline tax revenues currently generated within the proposed development area are likely significantly less than will be generated there after the Coldstream Research Campus Development Project is completed.

The baseline taxes for the anticipated footprint, for purposes of this analysis, are assumed to be minimal. Therefore, Commonwealth Economics has not included the value of the baseline taxes for land or operations and the projected incremental property tax revenues are based off the future construction expenditures, alone, and do not include any taxable land value.

Figure 2, on the next page, summarizes the estimated fiscal impact of the Coldstream Project and the recoverable portion of those taxes that may be available for Approved Public Infrastructure repayment and Project development assistance during a 20-year period.

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[5] It is expressly acknowledged that Commonwealth Economics cannot guarantee and shall face no liability regarding the success of any proposed project, bond issue, loan, grant, the ability to obtain funding from any source or the accuracy of any estimated revenue stream. Commonwealth Economics utilized second and third-party sources, including the development team, deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions (outlined in detail within this document), which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

Commonwealth Economics

Figure 2

Coldstream Research Campus Development Project

Incremental Tax Revenue Estimates under the State Mixed-Use TIF Program

		Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Incremental Tax Revenues from Project										
State Tax Revenues										
State Property Tax		$3,976,796	$67,467	$111,121	$121,554	$136,898	$180,537	$210,261	$256,307	$3,976,796
State Sales and Use Tax		$19,265,446	$388,711	$745,326	$760,232	$777,512	$872,324	$975,269	$1,220,737	$19,265,446
State Corporate/LLET Tax Revenues		$1,699,089	$4,431	$27,485	$39,896	$54,379	$63,950	$94,448	$115,132	$1,699,089
State Individual Income Tax		$59,428,299	$205,829	$964,869	$1,312,616	$1,690,555	$2,356,069	$3,311,022	$4,036,118	$59,428,299
Total State Tax Revenues		$84,369,630	$666,439	$1,848,800	$2,234,298	$2,659,345	$3,472,880	$4,591,001	$5,628,293	$84,369,630
Local Tax Revenues										
Local Property Tax Revenues		$6,643,205	$112,704	$185,627	$203,055	$228,687	$301,585	$351,239	$428,158	$6,643,205
Local Occupational License Tax		$36,933,855	$123,559	$599,350	$822,874	$1,068,792	$1,454,030	$2,057,107	$2,507,602	$36,933,855
Total Local Tax Revenues		$43,577,060	$236,263	$784,976	$1,025,929	$1,297,479	$1,755,615	$2,408,346	$2,935,760	$43,577,060
Total Estimated Incremental Tax Revenues		$127,946,691	$902,702	$2,633,777	$3,260,227	$3,956,824	$5,228,495	$6,999,346	$8,564,053	$127,946,691
Estimated Incremental Tax Revenues		$127,946,691	$902,702	$2,633,777	$3,260,227	$3,956,824	$5,228,495	$6,999,346	$8,564,053	$127,946,691
(-) Retained by State	at 20%	$16,873,926	$133,288	$369,760	$446,860	$531,869	$694,576	$918,200	$1,125,659	$16,873,926
(-) Retained Locally	at 20%	$8,715,412	$47,253	$156,995	$205,186	$259,496	$351,123	$481,669	$587,152	$8,715,412
Net Incr. Tax Rev. Available from Project		$102,357,353	$722,162	$2,107,021	$2,608,181	$3,165,459	$4,182,796	$5,599,477	$6,851,242	$102,357,353
Incr. Tax Rev. Available from State TIF Program	at 80%	$67,495,704	$533,151	$1,479,040	$1,787,438	$2,127,476	$2,778,304	$3,672,801	$4,502,635	$67,495,704
Incr. Tax Rev. Available from Local Participation	at 80%	$34,861,648	$189,011	$627,981	$820,743	$1,037,983	$1,404,492	$1,926,676	$2,348,608	$34,861,648

As shown in Figure 2, over the allowable 20-year TIF period, the new development is estimated to produce an estimated $127.9 million in additional state and local TIF-eligible tax revenues.

These calculations involve several assumptions regarding the timing of Project components being completed and the revenue generated by each component of the Coldstream Research Campus Development Project. Commonwealth Economics has used information provided by the University, as well as certain industry averages to produce this model. The actual economic and fiscals impact of the Project will ultimately depend upon many different variables.

The estimated fiscal impacts of each project component are conservatively inflated at the rate of 2% per year over the 20-year life of the TIF.

VI. ECONOMIC & FISCAL IMPACT ESTIMATES

When construction of the primary elements for the proposed Coldstream Research Campus Development Project is complete, the laboratories, office space, hotel, restaurants, retail stores, and various activities and transactions occurring within the improved overall area will generate on-going annual economic and fiscal impacts to the local economy. Initial transactions occurring within these components will ripple throughout the economy and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues. It is important to understand that these impacts include economic and fiscal activity that may take place outside of the Project footprint, and therefore, are not all recoverable through the TIF program. These impact estimates, however, assist in quantifying the Project's overall economic value to the Commonwealth.

For analytical purposes, annual impact is estimated based on component type, such as the laboratories, office space, hotel, retailers, and restaurants. Conceptually, annual economic impact would include the "ripple effects" generated from direct spending at the supportive retail and restaurants and the output of the lab and office tenants. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

Economic Impact - Definitions

Economic impact reflects the "ripple effect" or "multiplying effect" from initial transaction, or "direct spending," that occurs as a direct result of a project being developed. The "ripples" from these initial transactions include the following:

- **Indirect Impact** – consists of spending that occurs, typically by a business, to generate the initial or direct output. For example, a patron's direct expenditure at a restaurant requires the establishment to purchase goods, services, and other items from suppliers (food, napkins, uniforms, etc). The portion of these store purchases that are within the state economy is counted as an indirect economic impact.

- **Induced Impact** – represents changes to in-state consumption due to the personal spending by employees whose incomes are affected by the project. For example, a newly-employed waiter at a restaurant will spend money on clothes,

food, gas, etc. The amount of the increased income the waiter spends in Kentucky's economy is considered an induced impact.

- **Labor Income** – measures the change in total personal income, state-wide, that results from the initial spending activities occurring within the project.
- **Total Employment** – measures the change in number of jobs, state-wide, that result from the initial spending activities that occur within the project.

Indirect impact, induced impact, labor income, and total employment impacts are estimated using multiplier factors. IMPLAN is a nationally recognized model commonly used to estimate economic impact. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy.

One-Time Construction Impact

In addition to the operational aspects of the Project, the initial construction spending will generate a one-time impact to the local community and State. Figure 3, below, shows the estimated economic impacts created solely from the construction of the Project and its ripple effects throughout the economy.

Figure 3

Coldstream Research Campus Development Project
Estimated Construction Impact Summary

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	1,422	$70,158,036	$92,590,211	$199,025,030
Indirect Effect	343	$17,164,363	$27,735,233	$55,943,788
Induced Effect	510	$20,823,119	$36,728,609	$66,185,839
Total Effect	**2,276**	**$108,145,518**	**$157,054,053**	**$321,154,657**

The construction impacts estimated in Figure 3 assume a total construction expenditure of $199.0 million. The impacts associated with this initial injection into the local economy are estimated to create $321.2 million in total economic impact, including total employment for 2,276 people and $108.1 million in total wages during construction.

Annual Impact from Operations

Economic and Fiscal Impact of Laboratories

Figure 4 shows the estimated annual impact of the new laboratories, as well as the multipliers and tax rates utilized for the various impact calculations, and the 20-year total. Laboratory operations are not subject to state sales tax, but the impacts of this direct output will ripple throughout the economy and it is estimated that 50% of the induced spending will be subject to state sales and use tax. Total labor income generated as a result of the laboratories operations is subject to state individual income tax and the laboratory workers' salaries are subject to the local occupational license tax.

Information gathered has been used in order to estimate R&D output generated directly by the new laboratory space. Discussions have indicated that the laboratories will generate, at a minimum, 121 new jobs. In addition, the new laboratories intend to generate new products that become a healthy percentage of sales when compared to industry averages. This information was used in conjunction with the IMPLAN software in order to estimate the economic and fiscal impacts associated with the development.

Economic and Fiscal Impact of Office Space

Figure 5 shows the estimated annual impact of the office space, as well as the multipliers and tax rates utilized for the various impact calculations, and the 20-year total. Revenues generated by the operations of businesses occupying the office space are not subject to state sales tax, but the impacts of this direct output will ripple throughout the economy and it is estimated that 50% of the induced spending will be subject to state sales tax. Total labor income generated as a result of the office operations is subject to state individual income tax and the workers' salaries are subject to the local occupational license tax.

Based on the types of tenants that are expected to locate in these brand-new office spaces, it has been estimated that the office components of the Project will generate approximately $400 per square foot in revenue by year 2.

Economic and Fiscal Impact of the Hotel

Figure 6 shows the estimated annual impact of the anticipated hotel, as well as the multipliers and tax rates utilized for the various impact calculations, and the 20-year total. Spending by the patrons at the hotel is subject to state sales tax, the impacts of this direct spending will ripple throughout the economy, and it is estimated that 50% of the induced spending is also subject to state sales tax. Net profits received by the hotel are subject to state corporate income tax. Total labor income is subject to state individual income tax and hotel salaries are subject to the local occupational license tax. Additionally, these estimates include local transient room taxes.

In order to estimate the revenues generated by the hotel, which is expected be located in close proximity to the campuses new entertainment options, regional averages for daily room rate and occupancy rate were examined. Based on the similar hotels in the region and the business that the new office space may be able to bring to the area with the availability of hotel rooms close to the laboratories, it is estimated that the hotel will operate at an average daily rate of $170. The Hotel is expected to reach occupancy rates of 70% within 1 year of construction.

Economic and Fiscal Impact of Restaurant Space

Figure 7 shows the estimated annual impact of the anticipated restaurant space, as well as the multipliers and tax rates utilized for the various impact calculations, and the 20-year total. Spending by the patrons at a restaurant is subject to state sales tax, the impacts of this direct spending will ripple throughout the economy, and it is estimated that 50% of the induced spending is also subject to state sales tax. Net profits received by the restaurant tenants are subject to state corporate income tax. Total labor income is subject to state individual income tax and restaurant workers' salaries are subject to the local occupational license tax.

Based on average sales per square foot in the region and the types of restaurant tenants that are expected to locate within the Project, it has been estimated that the restaurant components of the Project will generate $350 per square foot by year 2.

Economic and Fiscal Impact of Retail Space

Figure 8 shows the estimated annual impact of the anticipated retail space, as well as the multipliers and tax rates utilized for the various impact calculations, and the 20-year total. Spending by the patrons at the retail establishments is subject to state sales tax, the impacts of this direct spending will ripple throughout the economy, and it is estimated that 50% of the induced spending is also subject to state sales and use tax. Net profits received by the retail space tenants are subject to state corporate income tax. Total labor income is subject to state individual income tax and retail workers' salaries are subject to the local occupational license tax. It should also be noted that the retail impact calculations use a retail margin to calculate the output generated by the retail stores. Because the retail trade experiences a large amount of leakage, a margin is applied to the price paid by a customer (total revenues) in order to estimate direct output generated by the establishment. The impact multipliers are then calculated based on this reduced direct impact. Sales tax, however, is still calculated based on the total store sales (prices paid at the register).

Based on average sales per square foot in the region and the types of retail tenants that are expected to locate within the Project, it has been estimated that the retail components of the Project will generate $250 per square foot by year 2.

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Figure 4

Coldstream Research Campus Development Project
Laboratory Space
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Sources of Impact									
Available Sq Footage		40,000	90,000	90,000	90,000	190,000	190,000	190,000	
Vacancy Rate		10%	10%	10%	10%	10%	10%	10%	
Total Output Per Sq Foot	$300	$12,000,000	$27,540,000	$28,090,800	$28,652,616	$61,698,633	$68,120,276	$83,038,237	
Total Output w/ Occupancy		$10,800,000	$24,786,000	$25,281,720	$25,787,354	$55,528,770	$61,308,249	$74,734,413	
Estimated Net Profit	0%	$0	$0	$0	$0	$0	$0	$0	
Lab Employment	4.459	48	111	111	111	248	248	248	
Average Salary		$67,730	$69,085	$70,466	$71,876	$73,313	$80,944	$98,670	
Direct Labor Income	0.302	$3,261,438	$7,634,700	$7,787,394	$7,943,142	$18,151,149	$20,040,335	$24,429,056	
Economic Impact (Multiplier Effects)									
Direct		$10,800,000	$24,786,000	$25,281,720	$25,787,354	$55,528,770	$61,308,249	$74,734,413	$1,121,671,655
Indirect	0.495	$5,342,490	$12,261,015	$12,506,235	$12,756,360	$27,468,694	$30,327,658	$36,969,246	$554,862,926
Induced	0.364	$3,931,621	$9,023,071	$9,203,532	$9,387,603	$20,214,638	$22,318,594	$27,206,241	$408,332,227
Total Output		$20,074,111	$46,070,085	$46,991,487	$47,931,317	$103,212,102	$113,954,500	$138,909,900	$2,084,866,808
Labor Income	0.594	$6,419,164	$14,731,980	$15,026,620	$15,327,152	$33,004,468	$36,439,600	$44,419,669	$666,684,616
Total Employment	11.215	121	278	278	278	623	623	623	623
Fiscal Impact (Tax Revenues)									
State Tax Revenues									
State Sales and Use Tax	6.00%	$0	$0	$0	$0	$0	$0	$0	$0
Induced Spending	50% Taxable	$117,949	$270,692	$276,106	$281,628	$606,439	$669,558	$816,187	$12,249,967
State Individual Income Tax	4.20%	$269,605	$618,743	$631,118	$643,740	$1,386,188	$1,530,463	$1,865,626	$28,000,754
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$0	$0	$0	$0	$0	$0	$0
Total State Tax Revenues		$387,554	$889,435	$907,224	$925,368	$1,992,627	$2,200,021	$2,681,813	$40,250,721
Local Tax Revenues									
Local Occupational License Fee	2.25%	$73,382	$171,781	$175,216	$178,721	$408,401	$450,908	$549,654	$8,211,400
Total Local Tax Revenues		$73,382	$171,781	$175,216	$178,721	$408,401	$450,908	$549,654	$8,211,400
Total Tax Revenues		$460,936	$1,061,216	$1,082,440	$1,104,089	$2,401,028	$2,650,929	$3,231,467	$48,462,121

Commonwealth Economics

Figure 5

Coldstream Research Campus Development Project
Office Space
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Sources of Impact									
Available Sq Footage		0	64,000	104,000	144,000	164,000	234,000	234,000	
Vacancy Rate		5%	5%	5%	5%	5%	5%	5%	
Total Revenue Per Sq Foot	$400	$0	$26,112,000	$43,280,640	$61,125,581	$71,007,550	$111,860,664	$136,357,526	
Total Revenue w/ Occupancy		$0	$24,806,400	$41,116,608	$58,069,302	$67,457,172	$106,267,631	$129,539,649	
Estimated Net Profit	10%	$0	$2,480,640	$4,111,661	$5,806,930	$6,745,717	$10,626,763	$12,953,965	
Office Employment	4.645	0	115	191	270	313	456	456	
Average Salary		$0	$101,075	$103,097	$105,159	$107,262	$118,426	$144,360	
Direct Labor Income	0.470	$0	$11,647,121	$19,691,206	$28,366,242	$33,611,160	$54,007,807	$65,835,215	
Economic Impact (Multiplier Effects)									
Direct		$0	$24,806,400	$41,116,608	$58,069,302	$67,457,172	$106,267,631	$129,539,649	$1,889,228,353
Indirect	0.339	$0	$8,412,362	$13,943,491	$19,692,499	$22,876,120	$36,037,548	$43,929,569	$640,676,337
Induced	0.445	$0	$11,047,419	$18,311,097	$25,860,904	$30,041,750	$47,325,814	$57,689,904	$841,359,398
Total Output		$0	$44,266,182	$73,371,196	$103,622,705	$120,375,042	$189,630,993	$231,159,122	$3,371,264,089
Labor Income	0.728	$0	$18,066,620	$29,945,423	$42,292,151	$49,129,382	$77,395,226	$94,344,349	$1,375,934,080
Total Employment	10.548	0	262	434	613	712	1,036	1,036	1,036
Fiscal Impact (Tax Revenues)									
State Tax Revenues									
State Sales and Use Tax	6.00%	$0	$0	$0	$0	$0	$0	$0	$0
Induced Spending	50% Taxable	$0	$331,423	$549,333	$775,827	$901,252	$1,419,774	$1,730,697	$25,240,782
State Individual Income Tax	4.20%	$0	$758,798	$1,257,708	$1,776,270	$2,063,434	$3,250,599	$3,962,463	$57,789,231
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$18,605	$30,837	$43,552	$50,593	$79,701	$97,155	$1,416,921
Total State Tax Revenues		$0	$1,108,825	$1,837,878	$2,595,649	$3,015,279	$4,750,075	$5,790,314	$84,446,935
Local Tax Revenues									
Local Occupational License Fee	2.25%	$0	$317,875	$535,564	$768,896	$908,030	$1,454,278	$1,772,757	$25,764,554
Total Local Tax Revenues		$0	$317,875	$535,564	$768,896	$908,030	$1,454,278	$1,772,757	$25,764,554
Total Tax Revenues		**$0**	**$1,426,700**	**$2,373,443**	**$3,364,546**	**$3,923,309**	**$6,204,352**	**$7,563,071**	**$110,211,488**

Commonwealth Economics

Figure 6

Coldstream Research Campus Development Project
Hotel
Estimates of Annual Economic and Fiscal Impact

	Rate / Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Sources of Impact									
Hotel ~ Available Rooms		125	125	125	125	125	125	125	
Occupancy Rate		70%	70%	70%	70%	70%	70%	70%	
Total Room Revenue	$170	$5,429,375	$5,537,963	$5,648,722	$5,761,696	$5,876,930	$6,488,606	$7,909,574	
Total Other Sales	$15	$479,063	$488,644	$498,417	$508,385	$518,553	$572,524	$697,904	
Total Hotel Revenue		$5,908,438	$6,026,606	$6,147,138	$6,270,081	$6,395,483	$7,061,130	$8,607,478	
Estimated Net Profit	10%	$590,844	$602,661	$614,714	$627,008	$639,548	$706,113	$860,748	
Hotel Employment	9.881	58	58	58	58	58	58	58	
Average Salaries		$28,079	$28,640	$29,213	$29,797	$30,393	$33,557	$40,905	
Direct Labor Income	0.277	$1,639,249	$1,672,034	$1,705,474	$1,739,584	$1,774,376	$1,959,054	$2,388,076	
Economic Impact (Multiplier Effects)									
Direct		$5,908,438	$6,026,606	$6,147,138	$6,270,081	$6,395,483	$7,061,130	$8,607,478	$143,559,491
Indirect	0.306	$1,810,133	$1,846,335	$1,883,262	$1,920,927	$1,959,346	$2,163,276	$2,637,021	$43,981,460
Induced	0.289	$1,708,052	$1,742,214	$1,777,058	$1,812,599	$1,848,851	$2,041,281	$2,488,310	$41,501,183
Total Output		$9,426,623	$9,615,155	$9,807,458	$10,003,607	$10,203,679	$11,265,687	$13,732,809	$229,042,133
Labor Income	0.472	$2,786,224	$2,841,949	$2,898,788	$2,956,763	$3,015,899	$3,329,796	$4,059,002	$67,697,918
Total Employment	14.425	85	85	85	85	85	85	85	85
Fiscal Impact (Tax Revenues)									
State Tax Revenues									
State Sales and Use Tax	6.00%	$388,711	$396,486	$404,415	$412,504	$420,754	$464,546	$566,279	$9,444,663
Induced Spending	50% Taxable	$51,242	$52,266	$53,312	$54,378	$55,466	$61,238	$74,649	$1,245,035
State Transient Room Tax	1.00%	$54,294	$55,380	$56,487	$57,617	$58,769	$64,886	$79,096	$1,319,195
State Individual Income Tax	4.20%	$117,021	$119,362	$121,749	$124,184	$126,668	$139,851	$170,478	$2,843,313
State Corporate income and LLE Tax	0.095% or 0.75%	$4,431	$4,520	$4,610	$4,703	$4,797	$5,296	$6,456	$107,670
Total State Tax Revenues		$561,406	$572,634	$584,086	$595,768	$607,684	$670,932	$817,862	$13,640,680
Local Tax Revenues									
Local Transient Room Tax	9.50%	$515,791	$526,106	$536,629	$547,361	$558,308	$616,418	$751,410	$12,532,356
Local Occupational License Fee	2.25%	$50,177	$51,181	$52,204	$53,248	$54,313	$59,966	$73,099	$1,219,171
Total Local Tax Revenues		$565,968	$577,287	$588,833	$600,609	$612,622	$676,384	$824,508	$13,751,527
Total Tax Revenues		$1,127,373	$1,149,921	$1,172,919	$1,196,378	$1,220,305	$1,347,315	$1,642,370	$27,392,207

Commonwealth Economics

Figure 7

Coldstream Research Campus Development Project
Restaurant Space
Estimates of Annual Economic and Fiscal Impact

	Rate / Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Sources of Impact									
Available Sq Footage		0	10,000	10,000	16,000	21,000	21,000	21,000	
Vacancy Rate		5%	5%	5%	5%	5%	5%	5%	
Total Revenue Per Sq Foot	$350	$0	$3,570,000	$3,641,400	$5,942,765	$7,955,876	$8,783,930	$10,707,562	
Total Revenue w/ Occupancy		$0	$3,391,500	$3,459,330	$5,645,627	$7,558,083	$8,344,734	$10,172,184	
Estimated Net Profit	10%	$0	$339,150	$345,933	$564,563	$755,808	$834,473	$1,017,218	
Restaurant Employment	22.838	0	77	77	81	84	84	84	
Average Salaries		$0	$20,307	$20,713	$21,127	$21,550	$23,793	$29,003	
Direct Labor Income	0.464	$0	$1,572,832	$1,604,289	$1,719,175	$1,806,165	$1,994,152	$2,430,860	
Economic Impact (Multiplier Effects)									
Direct		$0	$3,391,500	$3,459,330	$3,563,110	$3,670,003	$4,254,540	$5,717,745	$84,389,759
Indirect	0.309	$0	$1,047,923	$1,068,881	$1,100,948	$1,133,976	$1,314,589	$1,766,698	$26,075,170
Induced	0.422	$0	$1,430,419	$1,459,028	$1,502,799	$1,547,883	$1,794,420	$2,411,551	$35,592,731
Total Output		$0	$5,869,842	$5,987,239	$6,166,856	$6,351,862	$7,363,549	$9,895,994	$146,057,659
Labor Income	0.689	$0	$2,335,187	$2,381,891	$2,453,347	$2,526,948	$2,929,425	$3,936,902	$58,105,809
Total Employment	28.038	0	95	95	100	103	103	103	103
Fiscal Impact (Tax Revenues)									
State Tax Revenues									
State Sales and Use Tax	6.00%	$0	$203,490	$207,560	$213,787	$220,200	$255,272	$343,065	$5,063,386
Induced Spending	50% Taxable	$0	$42,913	$43,771	$45,084	$46,436	$53,833	$72,347	$1,067,782
State Individual Income Tax	4.20%	$0	$98,078	$100,039	$103,041	$106,132	$123,036	$165,350	$2,440,444
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$2,544	$2,594	$4,234	$5,669	$6,259	$7,629	$115,030
Total State Tax Revenues		$0	$347,024	$353,965	$366,145	$378,437	$438,399	$588,390	$8,686,642
Local Tax Revenues									
Local Occupational License Fee	2.25%	$0	$43,020	$43,880	$51,384	$57,644	$63,644	$77,582	$1,212,734
Total Local Tax Revenues		$0	$43,020	$43,880	$51,384	$57,644	$63,644	$77,582	$1,212,734
Total Tax Revenues		$0	$390,044	$397,845	$417,529	$436,081	$502,043	$665,972	$9,899,376

Commonwealth Economics

Figure 8

Coldstream Research Campus Development Project
Retail Space
Estimates of Annual Economic and Fiscal Impact

	Rate / Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Sources of Impact									
Available Sq Footage		0	10,000	10,000	10,000	15,000	15,000	15,000	
Vacancy Rate		5%	5%	5%	5%	5%	5%	5%	
Total Revenue Per Sq Foot	$250	$0	$2,550,000	$2,601,000	$2,653,020	$4,059,121	$4,481,597	$5,463,042	
Total Revenue w/ Occupancy		$0	$2,422,500	$2,470,950	$2,520,369	$3,856,165	$4,257,517	$5,189,890	
Output w/ Retail Margin	0.458	$0	$1,109,505	$1,131,695	$1,154,329	$1,766,123	$1,949,943	$2,376,970	
Estimated Net Profit	10%	$0	$242,250	$247,095	$252,037	$385,616	$425,752	$518,989	
Retail Employment	14.889	0	17	17	17	26	26	26	
Average Salaries		$0	$27,020	$27,561	$28,112	$28,674	$31,659	$38,592	
Direct Labor Income	0.402	$0	$446,374	$464,407	$483,169	$754,034	$832,515	$1,014,831	
Economic Impact (Multiplier Effects)									
Direct		$0	$1,109,505	$1,131,695	$1,154,329	$1,766,123	$1,949,943	$2,376,970	$36,314,806
Indirect	0.348	$0	$386,077	$393,798	$401,674	$614,561	$678,526	$827,119	$12,636,536
Induced	0.394	$0	$437,135	$445,878	$454,795	$695,837	$768,260	$936,505	$14,307,707
Total Output		$0	$1,932,717	$1,971,371	$2,010,798	$3,076,522	$3,396,728	$4,140,593	$63,259,049
Labor Income	0.644	$0	$714,082	$728,363	$742,931	$1,136,684	$1,254,991	$1,529,827	$23,372,355
Total Employment	20.311	0	23	23	23	36	36	36	36
Fiscal Impact (Tax Revenues)									
State Tax Revenues									
State Sales and Use Tax	6.00%	$0	$145,350	$148,257	$151,222	$231,370	$255,451	$311,393	$4,757,398
Induced Spending	50% Taxable	$0	$13,114	$13,376	$13,644	$20,875	$23,048	$28,095	$429,231
State Individual Income Tax	4.20%	$0	$29,991	$30,591	$31,203	$47,741	$52,710	$64,253	$981,639
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$1,817	$1,853	$1,890	$2,892	$3,193	$3,892	$59,467
Total State Tax Revenues		$0	$190,272	$194,078	$197,959	$302,878	$334,402	$407,634	$6,227,736
Local Tax Revenues									
Local Occupational License Fee	2.25%	$0	$15,494	$16,009	$16,542	$25,642	$28,311	$34,511	$525,996
Total Local Tax Revenues		$0	$15,494	$16,009	$16,542	$25,642	$28,311	$34,511	$525,996
Total Tax Revenues		**$0**	**$205,766**	**$210,087**	**$214,502**	**$328,520**	**$362,713**	**$442,145**	**$6,753,732**

Summary of Annual Impacts

Figure 9 summarizes the total economic and fiscal impact from business activities occurring over the 20-year period and is shown by specific project components and total combined operational tax revenues for the entire Project. Projections assume an annual inflation rate of two (2) percent.

Figure 9

Coldstream Research Campus Development Project
20-Year Total Operational Impact
Estimates of Annual Economic and Fiscal Impact

	Retail	Restaurant	Lab	Office	Hotel	20-Year Total
Economic Impact (Multiplier Effects)						
Direct	$36,314,806	$84,389,759	$1,121,671,655	$1,889,228,353	$143,559,491	$3,275,164,064
Indirect	$12,636,536	$26,075,170	$554,862,926	$640,676,337	$43,981,460	$1,278,232,428
Induced	$14,307,707	$35,592,731	$408,332,227	$841,359,398	$41,501,183	$1,341,093,246
Total Output	$63,259,049	$146,057,659	$2,084,866,808	$3,371,264,089	$229,042,133	$5,894,489,738
Labor Income	$23,372,355	$58,105,809	$666,684,616	$1,375,934,080	$67,697,918	$2,191,794,779
Total Employment	36	103	623	1,036	85	1,882
Fiscal Impact (Tax Revenues)						
State Tax Revenues						
State Sales and Use Tax	$4,757,398	$5,063,386	$0	$0	$9,444,663	$19,265,446
Induced Spending	$429,231	$1,067,782	$12,249,967	$25,240,782	$1,245,035	$40,232,797
State Individual Income Tax	$981,639	$2,440,444	$28,000,754	$57,789,231	$2,843,313	$92,055,381
State Corporate Income and LLE Tax	$59,467	$115,030	$0	$1,416,921	$107,670	$1,699,089
Total State Tax Revenues	$6,227,736	$8,686,642	$40,250,721	$84,446,935	$13,640,680	$153,252,713
Local Tax Revenues						
Local Transient Room Tax	$0	$0	$0	$0	$12,532,356	$12,532,356
Local Occupational License Fee	$525,996	$1,212,734	$8,211,400	$25,764,554	$1,219,171	$36,933,855
Total Local Tax Revenues	$525,996	$1,212,734	$8,211,400	$25,764,554	$13,751,527	$49,466,210
Total Tax Revenues	**$6,753,732**	**$9,899,376**	**$48,462,121**	**$110,211,488**	**$27,392,207**	**$202,718,923**

As shown in Figure 9, over a 20-year period, the impact of the business activity occurring within the anticipated development is estimated to include $5.9 billion of total output, $2.2 billion of labor income, support for 1,882 jobs annually throughout the Commonwealth, and $153.3 million of state tax revenues and $49.5 million of local tax revenues (before including property tax impacts created by Project construction).

Figure 10 summarizes the total statewide estimated fiscal impact from business activities occurring over the 20-year period immediately following Project completion, as well as estimated incremental property tax revenues generated as a result of the Project's construction.[6]

Figure 10

Coldstream Research Campus Development Project Estimated Total 20-Year Fiscal Impact	Tax Rate	20-Year Total
Estimated Tax Revenues from Project		
State Tax Revenues		
State Property Tax	0.12%	$3,976,796
State Sales and Use Tax	6.00%	$59,498,244
State Transient Room Tax	1.00%	$1,319,195
State Individual Income Tax	4.20%	$92,055,381
State Corporate Income Tax	0.75%	$1,699,089
Total State Tax Revenues		$158,548,704
Local Tax Revenues		
Lexington-Fayette County Property Tax	0.345%	$10,640,372
Lexington-Fayette County School Property Tax	0.75%	$23,395,080
Local Transient Room Tax	9.50%	$12,532,356
Lexington-Fayette County Occupational License Tax	2.25%	$36,933,855
Total Local Tax Revenues		$83,501,663
Total Tax Revenues		$242,050,367

[6] It should be understood that these impacts include estimated tax revenues generated off-site as a result of initial activity occurring within the Project, as well as some local taxes (school, fire and other property taxing districts, as well as local transient room tax) that are not recoverable through TIF participation. While not all of these tax revenue streams may be recoverable, they are expected to be generated by the Project.

VII. CONCLUSION

This Project will provide extensive benefits to the Lexington Business Community and surrounding region of Kentucky and should be able to meet the statutory qualifications of the State's Mixed-Use TIF Program. The Coldstream Research Campus Development Project is positioned to provide brand new research laboratories to the bluegrass region, multi-family housing options and a hotel within a short walking distance to new entertainment (retail/restaurant) options, and provide high tech office space to the rest of the campus.

This mixed-use development project will only be made possible through a partnership between the public sectors and the University in order to provide support for the necessary infrastructure costs. The improved streetscapes, public spaces, and utilities will encourage new business growth in the area by making it a sustainable work location and a more feasible investment.

It is important that the State Mixed-Use TIF Program allow the University's Project to use the increase in tax revenue generated within its footprint to help alleviate the high costs associated with qualifying public infrastructure needs. Preliminary estimates show that approximately $127.9 million in TIF-eligible incremental tax revenue could be generated within the TIF footprint. If 20 percent is retained by both the State and Local governments, approximately $102.4 million of this incremental tax revenue could be available over 20 years to cover costs that qualify as approved public infrastructure.

EXHIBIT C

STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN

Urban County Planning Commission
200 East Main St., Lexington, KY

STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN

PROPOSED UNIVERSITY OF KENTUCKY – COLDSTREAM RESEARCH CAMPUS MIXED-USE DEVELOPMENT PROJECT TIF DEVELOPMENT AREA

BACKGROUND

An application has been made to create a "Mixed-Use Development located in a University Research Park" Tax Increment Financing ("TIF") Development Area, as permitted under current state statutes. This type of TIF District has the following requirements: it must be contiguous and less than three square miles in size; the establishment of the development area shall not cause the assessed value of taxable real property within all development areas within the city to exceed twenty percent (20%) of the assessed value of all taxable real property within the jurisdiction; and the project must be a mixed-use development located within a university research park. This is the first TIF request of this type, and likely the only one possible in Fayette County, as the Coldstream Research Campus is the only such facility within the community at this time.

The TIF Development Area creation process provides a mechanism for financing public improvements within a defined development area, for infrastructure such as roads; utilities; and sanitary and storm sewers, as well as other public improvements. A percentage of the future increases in taxes collected from revenues created on the TIF footprint become the mechanism for paying for the improvements. In this case, the taxes generated will be from the real property and occupational taxes generated by new development within the Development Area. State incremental sales, as well as property and other tax revenue, may also be eligible for reimbursement over the 20-year recovery period if the Kentucky Economic Development Cabinet determines that the TIF meets such requirements.

As applied locally, the statutory process provides that the Urban County Council must review and hold a public hearing on the proposed TIF Development Area, which is scheduled for December 7, 2017. If approved at the local level, the project is submitted to, and reviewed by, the state Economic Development Cabinet. If approved, the Commonwealth of Kentucky and the LFUCG then enter into a formal agreement and implement the District.

PLANNING COMMISSION ROLE

The state statutes make one provision for review of the proposed plan for the TIF Development Area by the Planning Commission. As a part of the list of materials and documents that comprise the "development plan" for the TIF Development Area, the statute provides that the local Planning Commission must certify that it has reviewed the plan for compliance with the community's adopted Comprehensive Plan.

PROPOSED DISTRICT - AREA

The proposed Development Area for review has been titled "The Coldstream Research Campus Mixed-Use Development Project Area" and consists of approximately 176 acres of land within the established Coldstream Research Campus. The Coldstream Research Campus is located north of Citation Boulevard, west of Newtown Pike, south of Interstate 75 and east of the Cane Run greenway. It includes portions of McGrathiana Parkway, Bull Lea Road, and Newtown Pike, as well as all of Aristides Boulevard and Bull Lea Run.

The University of Kentucky Coldstream Research Park is wholly located within a University Research Campus (P-2) zone, and no other land in Fayette County is currently encumbered with the P-2 zoning category. The P-2 zone is considered one of several zones in the Urban County categorized as employment land, along with the ED, P-1, I-1 and I-2 land. The Development Area is likewise completely located within the P-2 zone. The exact boundary of the Development Area is shown on the attached Exhibit 1.

The mixed-use project is expected to include a variety of single-use and mixed-use buildings with residential, retail, restaurant, laboratory, business incubator, hotel and office land uses. This proposal is consistent with the University of Kentucky's 2009 Coldstream Master Plan. The Master Plan proposes an intensification of the density of research and jobs-creating uses, and also introduces residential and mixed-use land use to the Coldstream Research Park. In association with the proposed mixed-use project, a number of public infrastructure improvements are proposed.

PROPOSED DISTRICT - ELIGIBLE IMPROVEMENTS

The University of Kentucky has identified the following projects as the most likely project infrastructure improvements to be built over a 6-year period:

- Land preparation and demolition
- Roadway and pedestrian connectivity improvements
- Expansion of sidewalks and other streetscape improvements
- Construction of additional parking
- Sanitary and storm sewer improvements
- Utility improvements
- Public space improvements

These improvement total an estimated $33.1 million.

PROPOSED DISTRICT - EXCEPTIONS

Four existing structures and associated surface parking lots have been excluded from the Development Area. These existing improvements are located at 1801 Newtown Pike, 1500 Aristides Boulevard, 1575 McGrathiana Parkway, and 810 Bull Lea Run.

2013 COMPREHENSIVE PLAN

The Office, Industry and Research Park (ORP) future land use designation was first introduced through the *1988 Comprehensive Plan*, when multiple sites were identified for this new land use. At that time, the Land Use Element did not designate Coldstream Research Park for the ORP future land use; it wasn't until the 1990 Coldstream Small Area Plan that the University of Kentucky property was recommended for ORP future land use. The Office, Industry and Research (P-2) zone was drafted and adopted as a Zoning Ordinance text amendment in 1990. The P-2 zone has been tweaked several times over its 27-year life to provide more flexibility in lot sizes and setbacks, and to address signage needs; and in 2017 the P-2 was re-named and significantly updated to meet the needs of the changing economy and to provide mixed-use development within UK's Coldstream Research Campus.

The Mission Statement of the *2013 Comprehensive Plan* is "to provide flexible planning guidance to ensure that development of our community's resources and infrastructure preserves our quality of life and fosters regional planning and economic development, while protecting the environment; promoting successful, accessible neighborhoods; and preserving the unique Bluegrass landscape that has made Lexington-Fayette County the Horse Capital of the World." The proposed TIF Development Area is intended and designed to help implement this mission statement.

The 2013 Plan contains six general themes, all of which apply to and support, either directly or indirectly, the proposed The Coldstream Research Campus Mixed-Use Project TIF Development Area and its conceptual development plan:

Theme A. Growing Successful Neighborhoods
Theme B. Protecting the Environment
Theme C. Creating Jobs and Prosperity
Theme D. Improving a Desirable Community
Theme E. Maintaining a Balance between Planning for Urban Uses and Safeguarding Rural Land
Theme F. Implementing the Plan for Lexington-Fayette County and the Bluegrass

Each of these themes has goals and objectives that are intended to help facilitate the 2013 Plan's implementation. The goals and objectives of the *2013 Comprehensive Plan* are more streamlined than those of previous Plans, so as to be more generally applicable to development proposals in Lexington-Fayette County; but they offer a great deal of support to the creation of the Development Area.

All *2013 Comprehensive Plan* goals and objectives that apply to (either to provide support, or that are supported by) the proposed TIF Redevelopment Area are contained in this report and are as follows:

Theme A, Goal 1: ***Expand housing choices.***

Related Objectives

a. *Pursue incentives and regulatory approaches that encourage creativity and sustainability in housing development.*

b. *Plan for housing that addresses the market needs for all of Lexington-Fayette County's residents; including, but not limited to, mixed use and housing near employment and commercial areas.*
d. *Create and implement housing incentives that strengthen the opportunity for economic development, new business and jobs, including, but not limited to higher density and housing affordability.*

Theme A, Goal 2: ***Support infill and redevelopment throughout the Urban Service Area as a strategic component of growth.***

Related Objective:
a. *Identify areas of opportunity for infill, redevelopment and adaptive reuse that respect the area's context and design features whenever possible.*

Theme A, Goal 3: ***Provide well-designed neighborhoods and communities.***

Related Objectives:
a. *Enable existing and new neighborhoods to flourish through improved regulation, expanded opportunities for neighborhood character preservation, and public commitment to expanded options for mixed use and mixed-type housing throughout Lexington-Fayette County.*
b. *Strive for positive and safe social interactions in neighborhoods; including, but not limited to, neighborhoods that are connected for pedestrians and various modes of transportation.*
c. *Minimize disruption of natural features when building new communities.*
d. *Promote, maintain, and expand the urban forest in existing neighborhoods.*

Theme B, Goal 1: ***Continue to implement the Consent Decree, including the Capacity Assurance Program, as directed by the Environmental Protection Agency.***

Theme B, Goal 2: ***Reduce Lexington-Fayette County's carbon footprint.***

Related Objectives:
a. *Implement the adopted environmental policy.*
b. *Anticipate the community's needs by encouraging environmentally sustainable uses of natural resources.*
c. *Provide incentives for green building, sustainable development, and transit-oriented development with civic agencies leading by example through the use of green building standards.*

Theme B, Goal 3: ***Support the funding, planning and management of a green infrastructure program.***

Related Objectives:
a. *Identify and protect natural resources and landscapes before development occurs.*
b. *Incorporate green infrastructure principles in new plans and policies, including, but not limited to, land use and transportation.*

Theme C, Goal 1: *Support and showcase local assets to further the creation of a variety of jobs.*

Related Objectives:
a. *Strengthen efforts to develop a variety of job opportunities that lead to prosperity for all.*
c. *Collaborate with institutions of higher learning to foster a capable and skilled workforce, while engaging agencies that address the lack of prosperity for residents by reducing joblessness.*
d. *Foster the success and growth of large employment sectors; protect and provide readily available economic development land to meet the needs for jobs; and enable infill and redevelopment that creates jobs where people live.*
e. *Encourage the development of appropriate attractions and supporting uses that promote and enhance tourism.*

Theme C, Goal 2: ***Attract the world's finest jobs, encourage entrepreneurial spirit, and enhance our ability to recruit and retain a talented, creative workforce by establishing opportunities that embrace diversity with inclusion in our community.***

Related Objectives:
a. *Identify and promote sectors of the economy that will flourish in Lexington-Fayette County.*
b. *Improve opportunities for small business development and workers who rely on personal technology.*

c. *Review and improve regulations and policies that attract and retain high paying jobs through close collaboration with agencies that focus on economic development.*
d. *Provide entertainment and other quality of life opportunities that attract young professionals and a workforce of all ages and talents to Lexington.*

Theme D, Goal 1, Objective a: *Support the Complete Streets concept which includes, but is not limited to, the design and use of the right-of-way for cars, bicycles, and pedestrians.*

Theme D, Goal 1, Objective b: *Develop a viable network of accessible transportation alternatives for residents and commuters, which may include the use of mass transit, bicycles, walkways, ridesharing, greenways and other strategies.*

Theme D, Goal 2: ***Provide for accessible community facilities and services to meet the health, safety and quality of life needs of Lexington-Fayette County's residents and visitors.***

Related Objectives:
a. *Encourage public safety and social sustainability by supporting Secured by Design concepts and other policies and programs for the built environments of neighborhoods to help reduce opportunities for crimes.*
b. *Collaborate with education and healthcare entities to meet the needs of Lexington-Fayette County's residents and visitors.*

Theme D, Goal 3, Objective c: *Develop incentives to retain, restore, preserve and continue use of historic sites and structures, rural settlements, and urban and rural neighborhoods.*

Theme E, Goal 1: ***Uphold the Urban Service Area concept.***

Related Objectives:
a. *Continue to monitor the absorption of vacant and underutilized land within the Urban Service Area.*
b. *Encourage compact, contiguous, and/or mixed-use sustainable development within the Urban Service Area, as guided by market demand, to accommodate future growth needs.*

Theme E, Goal 3: ***Maintain the current boundaries of the Urban Service Area and Rural Activity Centers; and create no new Rural Activities Centers.***

Theme F, Goal 1, Objective d: *Collaborate with other agencies in Lexington-Fayette County to meet local standards in order to achieve compatible developments and accomplish the community's vision as articulated in Destination 2040.*

As stated, Theme F, Goal 1, Objective d of the Comprehensive Plan, which references *Destination 2040*, recommends that the LFUCG "strive to meet local standards in order to accomplish the community's vision." *Destination 2040*, which was a 2009 community effort that created a comprehensive vision for Lexington-Fayette County, had, as its primary goal, to "determine how to protect everything we value in Fayette County, while continuing to grow as a community." There were four "Aspects of Community Life" that formed the framework for that document: Human Needs, Physical Growth, Economic Expansion and Cultural Creativity. This proposed TIF Development Area addresses all four in some form. It is stated in *Destination 2040* that there are several elements that must be present for a community to be viable and a desirable place to live; otherwise, people will move elsewhere. Among those are protection of natural resources; medical services/health care; educational opportunities; safe, adequate and affordable housing; and governmental and other services that provide for citizens' safety and welfare, such as utilities and adequate infrastructure. One of the "action approaches" for the top four community elements of *Destination 2040* is to "recognize and expand the University of Kentucky's research and development as the primary driver for business and job expansion in the community." The proposed mixed-use project also falls within and supports these four, and is therefore supported by *Destination 2040*, as well as the Comprehensive Plan.

At its core, the *2013 Comprehensive Plan* promotes mixed-use, sustainable development and successful neighborhoods by providing the tools to ensure that all neighborhoods, whatever their condition, are "given full access to paths to success." One way to do this is to provide housing opportunities in close proximity to where people work, as is proposed within the mixed-use portion of Coldstream Research Campus.

Also, Chapter 5 of the 2013 Comprehensive Plan ("Creating Jobs and Prosperity") identified vacant "jobs land" available within UK's Coldstream Research Campus, which has been available for a number of years. In the 1990s, the long-term supply of jobs land was being eroded, as some of the best jobs land was given over to residential development, depleting the inventory for economic development by over 500 acres. To ensure that the remaining jobs land remained appropriate for job development, the community updated the Zoning Ordinance regulations to be flexible enough to accommodate these various types of demands, as well as accommodate additional residential density.

Lastly, Chapter 7 of the Comprehensive Plan ("Maintaining a Balance between Planning for Urban Uses and Safeguarding Rural Land") states that infill and redevelopment, defined in the Plan as developing vacant and underperforming land in the Urban Service Area to accommodate growth in Lexington-Fayette County, is a key component of preserving and safeguarding rural land. This has been one of the primary tenets of all Comprehensive Plans since at least 1958 when the Urban and Rural Service Areas were created, and included development of employment land as well as residential land.

CONCLUSION

As part of its certification of compliance with the Comprehensive Plan, any recommendation(s) regarding re-zoning, text amendments or other changes needed to accommodate the proposed TIF Development Plan are to be included. The proposed TIF Redevelopment Area is already located within the University Research Campus (P-2) zone, and the P-2 zone was recently requested for significant modification in order to implement the Coldstream Master Plan. At this time, re-zoning, text amendments or other changes are not necessary to accommodate the proposed TIF Development Plan.

The creation of the TIF Development Area and the implementation of the proposed project fit the *2013 Comprehensive Plan* vision and will help to implement the cited goals and objectives of the adopted Plan.

TLW/BR/JHD
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CERTIFICATION OF COMPLIANCE

The Lexington-Fayette County Planning Commission finds that the Coldstream Research Campus Mixed-Use Development Project for the proposed TIF Development Area is hereby certified as being in compliance with the adopted 2013 Comprehensive Plan Update for Lexington and Fayette County, and adopts this report as its official statement to be included as a part of the development plan as it is forwarded to the Lexington-Fayette Urban County Council for consideration.

Adopted and Approved by the Lexington-Fayette Urban County Planning Commission on _____, 2017.

_____
William Wilson, Chair

_____
James H. Duncan, III, Secretary

Exhibit C: Elements of Project to be Financed with Incremental Revenues

Coldstream Research Campus Public Infrastructure Cost Estimates	
Site General	$532,976
Earthwork	$4,443,172
Curbs, Sidewalks, Roads, Parking	$6,912,950
Sanitary Sewers	$1,949,877
Waterlines	$4,393,082
Storm Sewers	$2,636,978
Utilities	$582,500
Right of Way and Public Space Improvements	$2,226,250
Public Building Rehab	$6,000,000
Contingency	$1,483,889
A&E	$1,483,889
Geotech & Inspection	$445,167
Total	**$33,090,730**

Exhibit D: Financing Plan

Coldstream Research Campus
The Plan for Financing the Project

To provide funding support for the needed capital improvements set forth in the Development Plan and to provide support for the Project and provide development assistance, the Lexington-Fayette Urban County Government (LFUCG) plans to create the Coldstream Research Campus Development Area pursuant to the provision of KRS 65.7041 to KRS 65.7083 and to utilize a portion of the new incremental revenues generated to provide redevelopment assistance and support the financing of public infrastructure improvements.

The plan provides that the LFUCG will pledge 80% of the new incremental revenues, generated from within the Development Area, from real property taxes and occupational taxes over a 20-year period to pay for certain project costs. It is understood that the local revenues from the Development Area that were being generated prior to the Project's development (the baseline) shall not be subject to any pledge of revenues to support the Project.

In addition, the plan provides for the submission of an application to the Kentucky Economic Development Finance Authority (KEDFA) to seek a pledge of up to 80% of new incremental state revenues from the footprint of the Project, to provide funding for approved public infrastructure costs.

Financing Plan

The Project is made up of both public and private components. The total cost of the project is estimated to be approximately $199.0 million, which includes approximately $33.1 million in public infrastructure costs.

It is expected that certain public infrastructure costs and all private development costs of the project will be financed by the developer. This private financing may include tax-exempt tax increment financing bonds and there may also be bonds or other debt issued that will be guaranteed by a public entity to finance certain pieces of this project, but that is not being contemplated at this time. A portion of the incremental revenues pledged in this agreement will be granted to the developer or a trustee on a receipts basis, as outlined by KRS 154.30-090. The pledge of these incremental revenues is critical to the affordability of financing the project. Until the structure of the deal is finalized – and the balance of public and private cost sharing delineated –it is too early at this time to detail the financing costs of the project.

Exhibit E: Listing of Old Revenues Collected by the LFUCG from Development Area

Coldstream Research Campus Old Revenue Estimates	
State	
Property Tax	$0
Sales Tax	$0
Individual Income Tax	$0
Corporate Income Tax	$0
Local	
Property Tax	$0
Occupational Tax	$0

Exhibit F: Listing of Anticipated Incremental Revenues for the LFUCG

Coldstream Research Campus Development Project

Incremental Tax Revenue Estimates under the State Mixed-Use TIF Program

		Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Incremental Tax Revenues from Project										
State Tax Revenues										
State Property Tax		$3,976,796	$67,467	$111,121	$121,554	$136,898	$180,537	$210,261	$256,307	$3,976,796
State Sales and Use Tax		$19,265,446	$388,711	$745,326	$760,232	$777,512	$872,324	$975,269	$1,220,737	$19,265,446
State Corporate/LLET Tax Revenues		$1,699,089	$4,431	$27,485	$39,896	$54,379	$63,950	$94,448	$115,132	$1,699,089
State Individual Income Tax		$59,428,299	$205,829	$964,869	$1,312,616	$1,690,555	$2,356,069	$3,311,022	$4,036,118	$59,428,299
Total State Tax Revenues		$84,369,630	$666,439	$1,848,800	$2,234,298	$2,659,345	$3,472,880	$4,591,001	$5,628,293	$84,369,630
Local Tax Revenues										
Local Property Tax Revenues		$6,643,205	$112,704	$185,627	$203,055	$228,687	$301,585	$351,239	$428,158	$6,643,205
Local Occupational License Tax		$36,933,855	$123,559	$599,350	$822,874	$1,068,792	$1,454,030	$2,057,107	$2,507,602	$36,933,855
Total Local Tax Revenues		$43,577,060	$236,263	$784,976	$1,025,929	$1,297,479	$1,755,615	$2,408,346	$2,935,760	$43,577,060
Total Estimated Incremental Tax Revenues		$127,946,691	$902,702	$2,633,777	$3,260,227	$3,956,824	$5,228,495	$6,999,346	$8,564,053	$127,946,691
Estimated Incremental Tax Revenues		$127,946,691	$902,702	$2,633,777	$3,260,227	$3,956,824	$5,228,495	$6,999,346	$8,564,053	$127,946,691
(-) Retained by State	at 20%	$16,873,926	$133,288	$369,760	$446,860	$531,869	$694,576	$918,200	$1,125,659	$16,873,926
(-) Retained Locally	at 20%	$8,715,412	$47,253	$156,995	$205,186	$259,496	$351,123	$481,669	$587,152	$8,715,412
Net Incr. Tax Rev. Available from Project		**$102,357,353**	**$722,162**	**$2,107,021**	**$2,608,181**	**$3,165,459**	**$4,182,796**	**$5,599,477**	**$6,851,242**	**$102,357,353**
Incr. Tax Rev. Available from State TIF Program	at 80%	$67,495,704	$533,151	$1,479,040	$1,787,438	$2,127,476	$2,778,304	$3,672,801	$4,502,635	$67,495,704
Incr. Tax Rev. Available from Local Participation	at 80%	$34,861,648	$189,011	$627,981	$820,743	$1,037,983	$1,404,492	$1,926,676	$2,348,608	$34,861,648