Qualified Data Center Program Policy

KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT

Overview of Program

The Qualified Data Center Program (the "Program") provides a process whereby an entity developing or utilizing and maintaining a data center project may have its project reviewed by the Kentucky Economic Development Authority ("KEDFA") and subsequently enter into a memorandum of Agreement with KEDFA to be issued a Certificate of Exemption from the Department of Revenue ("DOR") to exempt that entity from the application of sales and use tax on data center equipment purchased for use in a qualified data center project (a "Project").

The Program is set forth in statute for the advancement of four objectives: (1) create jobs that would otherwise not exist; (2) create new sources of tax revenues for the support of public services provided by the Commonwealth; (3) improve the quality of life through creation of sustainable jobs with higher salaries; and (4) provide an economic stimulus to the Commonwealth. KRS 154.20-222.

It is then within KEDFA's prerogative to establish how to measure and then evaluate how a proposed Project achieves those objectives over time.

The Program allows for incentivization of an owner or operator of a facility under the terms "Owner," "Operator," "Project Organizer," and "Colocation tenant" (herein, the "Applicant"). The Program authorizes incentives to those Applicants through a preliminary approval process under which KEDFA may enter into a Memorandum of Agreement ("MOA") authorizing the issuance of a Certificate of Exemption from sales and use taxes for eligible Project costs attributable to "Data Center equipment." This Policy is designed to prescribe how the Term of an MOA will be set and establish a specific methodology for calculating and limiting the total value of incentives available under the MOA.

This is of paramount importance, as these Certificates have the potential to impact state revenues for decades.

Establishing these limits and reporting criteria will provide greater predictability in the administration of the Program and allow the Commonwealth to better assess and manage the long-term fiscal implications of individual projects on both the state and the local communities where a data center project is located.

In addition to the Program, EO 2026-494 places restrictions on any data centers seeking to locate to the state, and the themes there under serve as guideposts for consideration of Projects under the Program. To this end, the following procedures for consideration of Projects outline the required documentation and related limitations to ensure conformance with EO-2026-494. (Attached hereto).

Term of Agreement

How KEDFA will set the Term of the MOA:

Determining the Term. The term of the MOA may not exceed the applicable statutory maximum under KRS 154.20-220(18), and KEDFA will establish the Term. The Term will be based on the anticipated time necessary to complete the buildout of the Project phase to which the Company has expressly committed financially (the "Committed Phase"). The Term will be limited to the scope, commitments, and required deliverables identified in the Company's application, including, as applicable, the committed timeline for the repair and replacement of eligible data center equipment directly associated with the Committed Phase of the Project. The MOA will not be extended to accommodate subsequent phases or additional development to which the Company has not expressly committed at the outset of approval.

Further Limitation Based on Local Agreement.

In addition to the limitation to the Committed Phase, the Term of the MOA may not exceed the term of the applicable Local Community Benefits Agreement or Payment in Lieu of Taxes ("PILOT") Agreement. If the applicable Local Community Benefits Agreement or PILOT Agreement terminates before the expiration of the MOA, the MOA will terminate concurrently. This limitation is intended to ensure that the incentives provided under the MOA remain aligned with the duration of the Company's local commitments and the protections afforded to the affected community.

Minimum Capital Investment at 5 years

The Project's minimum capital investment to be made within 5 years of entry into the MOA will likewise be defined by the Committed Phase of the Project. The minimum capital investment will be set at 80% of the total identified investment of the Committed Phase of the Project to accommodate any cost savings that may occur.

Eligible Costs

The MOA will then establish estimated eligible cost thresholds, which, stated simply, are the costs for which the Project can apply the sales and use tax exemption. The Certificate of Exemption applies only to Data Center equipment used directly and exclusively to the "Project." The MOA will define tHe scope of the Project based upon the Committed Phase.

How KEDFA will set estimated eligible costs:

Eligible Costs will be set based upon the Applicant's estimated costs of the qualified data center equipment within the Committed Phase based upon the application, along with the estimated continued costs on the replacement data center equipment on that same phase through the full Term of the MOA.

Employment

In addition to the items identified, above, the MOA will identify the Applicant's employment commitments, as represented in its application, which will be enforceable throughout the MOA's term. These obligations will be clearly defined in the MOA and supported by appropriate monitoring, reporting, and enforcement mechanisms. Employment will be limited to the Applicant's full-time Kentucky employees employed at the Committed Phase of the Project.

These will include concrete employment projections, the circumstances under which deviations may be excused, and the appropriate remedies for material shortfalls, including proportional incentive reductions or suspension or termination of the Certificate.

Exhibits Incorporated

In addition to the requirements, above, the MOA will incorporate all of the required materials set forth in KEDFA's Qualified Data Center Program Process Requirements.

The MOA will require annual reporting to the Kentucky Department of Revenue ("DOR"), including the annual amount of exemption utilized, pursuant to DOR's standards.

Local Taxation Implications

As explained in the Governor's Executive Order, KEDFA recognizes the importance of ensuring that Projects contribute their full and fair share to the local community. Accordingly, KEDFA reserves the right to further reduce Eligible Costs based on the nature, scale, and overall impact of the Project, taking into consideration the extent to which local incentives result in foregone tax revenue for local taxing jurisdictions (e.g., through the issuance and utilization of local industrial revenue bonds ("IRBs") that exempt the Project from County and School property taxes).

ANDY BESHEAR
GOVERNOR

EXECUTIVE ORDER

Secretary of State
Frankfort
Kentucky

2026-494
August 6, 2026

Kentucky is on a historic winning streak.

In six years, the Commonwealth has announced more than 1,300 private sector new-location and expansion projects, created more than 70,000 jobs, and attracted over $50 billion in new investment – the highest figures for any Administration in our history.

What's more, the jobs we are attracting pay an average wage of $30 per hour. This year, that number is closer to $31.50 an hour. Despite economic headwinds, Kentucky continues to grow, establishing itself as a national leader in the automotive, aerospace, and energy sectors.

Kentucky welcomes companies that want to invest in our communities, create good-paying jobs, and contribute to our state's red-hot economy. But with the opportunity to invest comes responsibility. As Kentucky looks toward the future, the rapid expansion of digital infrastructure has led to surging demand for data centers and energy resources across our country.

This Administration is committed to ensuring economic development projects will benefit our people and help secure our future. We remain steadfast in our commitment to keeping costs low while making certain economic growth does not come at a cost to the health, safety, and wellbeing of our families.

Data center companies looking to do business in Kentucky, at a minimum, must demonstrate they will be good neighbors by investing responsibly, operating transparently, and working in partnership with our people and communities to make certain these projects deliver lasting benefits for Kentucky's working families.

NOW, THEREFORE, I, Andy Beshear, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Constitution and the laws of the Commonwealth, do hereby ORDER and DIRECT that the following three commitments shall be demonstrated:

I. Ensuring No Detrimental Impact on Ratepayers or the Environment:

A. Ratepayer Protection: Data center project developers are required to submit an energy plan to the Energy and Environment Cabinet showing how it will protect residential ratepayers, including assurances it can meet its energy needs now, into the near term, and long term without imposing additional costs on other utility ratepayers.

B. Public Service Commission: The Public Service Commission shall not allow a utility to increase rates paid by other ratepayers to recover costs caused by the development and operation of a data center.

C. Environmental Protection: The Energy and Environment Cabinet is directed to deny any permitting applications where a data center would negatively impact Kentucky's air quality, water use, water quality, water supply, federal jurisdictional wetlands, or natural resources. Data center developers must also

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demonstrate compliance with all applicable environmental laws and public engagement requirements.

II. Pay Its Fair Share of Local and School Taxes: Data center project developers must commit to paying their full and fair share of state and local taxes and not attempt to avoid paying taxes, especially those for our local communities and schools.

III. Build a Meaningful Relationship with the Community: Data center project developers must commit to engaging in public discussions with local community leaders and members where the project is proposing to locate, addressing with full transparency the community's questions, including how the data center will create local job opportunities.

Nothing in this Order shall impact decisions made by local communities regarding the operation of data centers within their jurisdiction.

My Office will actively monitor data center projects and hold them accountable for the commitments they make to our local communities and people.

This Order is effective August 6, 2026.

ANDY BESHEAR, Governor
Commonwealth of Kentucky

MICHAEL G. ADAMS
Secretary of State