

# KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

## BOARD MEETING February 22, 2018

### MINUTES

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#### **Call to Order**

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EST on February 22, 2018, at the Cabinet for Economic Development, Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, Kentucky.

#### **Notification of Press**

Jean Hale, Chairman, received verification that the media had been notified of the KEDFA regular monthly board meeting.

#### **Roll Call**

**Members Present:** Jean Hale, Don Goodin, Secretary William M. Landrum, III, Dorsey Hall, Tucker Ballinger, Joe Kelly and Chad Miller

**Staff Present:** Bobby Aldridge, Tim Back, John Bevington, Jessica Burke, Sarah Butler, Michelle Elder, Reid Glass, Krista Harrod, Robyn Lee, Brandon Mattingly, Kylee Palmer, Corky Peek, Debbie Phillips, Lindsey Ransdell, Vivek Sarin, Taylor Sears, Tess Simon, Katie Smith, Teresa Spreitzer and Joan Ward

**Others Present:** Michael Kalinyak, Hurt, Deckard & May; Dwight Young, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Joe Berry and Mark Snell, Greater Owensboro Economic Development Corporation; Sierra Enlow, Louisville Forward; Barry Lendrum, Paladin; Judith Hollis and Jason Brauner, Grain, Limestone, & Oak, LLC; Jeff McKenzie, Bingham Greenebaum Doll; Jeff Koors, Blue Grass Metals, Inc.; and Sandy Williams, Kentucky Finance & Administration Cabinet, Office of Financial Management

#### **Approval of Minutes**

Chairman Hale entertained a motion to approve the minutes from the January 23, 2018 special KEDFA board meeting, the January 25, 2018 regular KEDFA board meeting and executive session.

Dorsey Hall moved to approve the minutes, as presented; Secretary William M. Landrum, III seconded the motion. Motion passed; unanimous.

#### **Approved/Undisbursed Loan Report**

Chairman Hale called on Kylee Palmer to review the approved/undisbursed loan report. After review, the Authority accepted the report as presented.

#### **Financial Statements and Monitoring Reports**

Chairman Hale called on Krista Harrod to review the financial statements and monthly monitoring reports as of January 31, 2018. After review, the Authority accepted the statements and reports as presented.

## **Kentucky Business Incentives (KBI) Project (Amendment)**

Chairman Hale called on Bobby Aldridge to present a KBI project amendment to the Authority.

### **The Sherwin-Williams Company**

#### **Madison County**

Mr. Aldridge stated The Sherwin-Williams Company acquired The Valspar Corporation subsequent to its final approval and execution of the original agreement dated August 29, 2013. As a result of the purchase and corporate restructuring efforts, authorized representatives of the company requested that the project be amended to include The Sherwin-Williams Manufacturing Company, an Ohio corporation, be included as an "approved affiliate" of the project.

Staff recommended approval of the KBI amendment request.

Tucker Ballinger moved to approve the staff recommendation, as presented; Chad Miller seconded the motion. Motion passed; unanimous.

## **Kentucky Enterprise Initiative Act (KEIA) Project (Extension)**

Chairman Hale called on Mr. Aldridge to present a KEIA project extension request to the Authority.

### **The Webstaurant Store, Inc.**

#### **Hopkins County**

Mr. Aldridge stated The Webstaurant Store, Inc. requested a 12 month extension to complete its project.

Staff recommended approval of the KEIA extension request.

Mr. Ballinger moved to approve the staff recommendation, as presented; Don Goodin seconded the motion. Motion passed; unanimous.

## **KEIA Projects**

Chairman Hale called on staff to present the KEIA projects to the Authority.

### **East Kentucky Network, LLC**

#### **Floyd County**

Robyn Lee stated East Kentucky Network, LLC is a major regional wireless carrier serving eastern Kentucky, Virginia and West Virginia. The company is considering expanding its operations from telecommunications to the data storage industry by constructing a facility in Ivel. The facility will serve as a data processing center.

**Robyn Lee**

**Debbie Phillips**

Debbie Phillips stated the project investment is \$14,500,000 of which \$5,350,000 qualifies as KEIA eligible costs. The KEIA approved recovery amount is \$100,000 for construction materials and building fixtures and \$100,000 for research and development and/or electronic processing equipment.

Staff recommended approval of the KEIA approved recovery amount of \$200,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Hall seconded the motion. Motion passed; Jean Hale abstained.

**Takigawa Corporation America  
Nelson County**

**Tess Simon  
Michelle Elder**

Tess Simon stated Takigawa Corporation America, a family-owned company since 1907, pioneered the production of polyethylene films and began manufacturing high-grade gravure printed bags in 1967. As a manufacturer of premium quality bags, the company has grown rapidly and currently has a global presence in France, Canada and Singapore. This project would allow the company to open an office and new factory in the U.S. to meet the needs of its North American customers.

Michelle Elder stated the project investment is \$37,504,703 of which \$9,024,559 qualifies as KEIA eligible costs.

Staff recommended approval of the KEIA approved recovery amount of \$300,000 for construction materials and building fixtures.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

**Michter's Distillery LLC  
Washington County**

**Lindsey Ransdell  
Michelle Elder**

Lindsey Ransdell stated Michter's Distillery LLC produces a variety of whiskeys including single barrel ryes, small batch bourbons and single barrel bourbons. The company has seen a demand for its products steadily increase and is considering the purchase of property to expand its storage capabilities.

Ms. Elder stated the project investment is \$17,000,000 of which \$8,500,000 qualifies as KEIA eligible costs.

Staff recommended approval of the KEIA approved recovery amount of \$400,000 for construction materials and building fixtures.

Mr. Hall moved to approve the staff recommendation, as presented; Joe Kelly seconded the motion. Motion passed; unanimous.

**Whiskey Service LLC  
Boyle County**

**Lindsey Ransdell  
Michelle Elder**

Ms. Ransdell stated Whiskey Service LLC is considering the purchase of property to develop its own storage facilities for bourbon whiskeys and other products. The company plans to engineer the facilities to serve as its primary storage as well as expand its involvement in the bourbon industry.

Ms. Elder stated the project investment is \$10,292,840 of which \$6,000,000 qualifies as KEIA eligible costs.

Staff recommended approval of the KEIA approved recovery amount of \$300,000 for construction materials and building fixtures.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

**KBI Projects (Preliminary) and KEIA Projects**

Chairman Hale called on staff to present the KBI preliminary projects and KEIA projects to the Authority.

**Jack Riley Investments LLC  
Warren County**

**Tess Simon  
Debbie Phillips**

Ms. Simon stated Jack Riley Investments LLC (dba Pink Lily Boutique) is a leading national e-commerce company and manufacturer of women's boutique clothing and accessories. The company is considering a location for its headquarters operation as well as to house management, marketing, finance, manufacturing, warehousing and distribution.

Ms. Phillips stated the project investment is \$2,056,800 of which \$2,050,000 qualifies as KBI eligible costs and \$958,250 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 56 with an average hourly wage of \$18.50 including benefits. The state wage assessment participation is 3.0% and the City of Bowling Green will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$650,000 and the KEIA approved recovery amount of \$40,000 for construction materials and building fixtures and \$5,000 for research and development and/or electronic processing equipment.

Mr. Kelly moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**Grain, Limestone, & Oak, LLC  
Shelby County**

**Lindsey Ransdell  
Michelle Elder**

Ms. Ransdell stated Grain, Limestone, & Oak, LLC is considering the purchase of property to establish a distillery, rickhouses and related items for the production of high-quality bourbon and rye.

Ms. Ransdell introduced Judith Hollison, Jason Brauner and Jeff McKenzie and invited them to address the board regarding the project.

Ms. Elder stated the project investment is \$27,317,986 of which \$23,950,686 qualifies as KBI eligible costs and \$19,309,353 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 31 with an average hourly wage of \$50.00 including benefits. The state wage assessment participation is 1.5% and Shelby County will participate at 0.5%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$625,000 and the KEIA approved recovery amount of \$400,000 for construction materials and building fixtures.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Hall seconded the motion. Motion passed; unanimous.

**KBI Projects (Preliminary)**

Chairman Hale called on staff to present the KBI preliminary projects to the Authority.

**Cuddle Clones LLC  
Jefferson County**

**Lindsey Ransdell  
Michelle Elder**

Ms. Ransdell stated Cuddle Clones LLC makes stuffed animals that look like your pet as well as a variety of other custom products of your pet, from figurines and Christmas ornaments to jewelry and memorials. The company is considering increasing the number of products

offered and expanding the community interactive area on its website to encourage further engagement from the pet-loving audience.

Ms. Elder stated the project investment is \$1,300,000 of which \$750,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 50 with an average hourly wage of \$24.00 including benefits. The state wage assessment participation is 1.5% and Louisville/Jefferson County Metro Government will participate at 0.5%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$500,000.

Mr. Hall moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

**Sazerac Distillers, LLC  
Daviess County**

**Corky Peek  
Michelle Elder**

Corky Peek stated Sazerac Distillers, LLC is a manufacturer and supplier of alcoholic beverages to all 50 states and 50 foreign countries and is the largest bottler of distilled spirits in the state of Kentucky. In order to meet the projected growth of its business and the demand for the products, the company is considering installing bottling lines, additional processing capacity and bulk storage tanks.

Ms. Elder stated the project investment is \$21,200,000 of which \$3,030,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 61 with an average hourly wage of \$42.00 including benefits. The state wage assessment participation is 3.0% and the City of Owensboro will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval. The company will be required to maintain 90% of the total statewide full-time, Kentucky resident employees at all company locations, excluding the site of the project, as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,000,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Kelly seconded the motion. Motion passed; unanimous.

**Blue Grass Metals, Inc.  
Boone County**

**Joan Ward  
Debbie Phillips**

Joan Ward stated Blue Grass Metals, Inc. was established in 1990 with sales focused on supplying wire forms to the pneumatic tool industry. The company has expanded from the pneumatic tool industry into the automotive industry producing listing wires for seat frames, exhaust brackets, frame components, stamping and tube fabrication. The proposed project would consist of acquiring and equipping a facility in an adjacent lot to be used for manufacturing and warehouse space.

Ms. Ward introduced Jeff Koors and invited him to address the board regarding the project.

Ms. Phillips stated the project investment is \$4,065,000 of which \$2,700,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 15 with an average hourly wage of \$17.30 including benefits. The state wage assessment participation is 1.5%

and Boone County will participate at 0.4%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval. The project will include multiple locations within the City of Independence, Boone County. Only investment costs incurred at the project location (address to be determined) will be considered toward calculating eligible costs. Employees and their respective wages at the locations included in the project definition will be eligible for compliance.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$200,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Secretary Landrum seconded the motion. Motion passed; unanimous.

**Vita-Stat LLC  
Jefferson County**

**Tess Simon  
Debbie Phillips**

Ms. Simon stated Vita-Stat LLC provides services to enable safe and accurate distribution of prescription medication to group environments such as assisted living and skilled nursing facilities. The company is considering an expansion of its current operation to add computer resources and increased office space.

Ms. Phillips stated the project investment is \$2,175,000 of which \$1,275,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 22 with an average hourly wage of \$27.00 including benefits. The state wage assessment participation is 3.0% and Louisville/Jefferson County Metro Government will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$300,000.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

**Owl's Head Alloys, Inc.  
Warren County**

**Taylor Sears  
Debbie Phillips**

Taylor Sears stated Owl's Head Alloys, Inc. is a secondary aluminum recycler, processing over 200 million pounds of aluminum annually. The state of the art aluminum recycling facility ships to primary mills throughout the southeastern United States. This project would include an expansion of the facility for an additional furnace.

Ms. Phillips stated the project investment is \$2,590,000 of which \$2,130,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 17 with an average hourly wage of \$19.00 including benefits. The state wage assessment participation is 3.0% and the City of Bowling Green will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$150,000.

Mr. Hall moved to approve the staff recommendation, as presented; Mr. Kelly seconded the motion. Motion passed; unanimous.

**TTA, LLC**  
**Jefferson County**

**Taylor Sears**  
**Debbie Phillips**

Mr. Sears stated TTA, LLC, now doing business as ALTOUR, opened for business in December of 1971 as a full-service travel agency. The company is considering relocating its regional headquarters to Louisville. This facility will include accounting, human resources, technology professionals and travel agent support.

Ms. Phillips stated the project investment is \$4,357,100 of which \$2,303,550 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 20 with an average hourly wage of \$36.00 including benefits. The state wage assessment participation is 3.0% and Louisville/Jefferson County Metro Government will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$350,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Secretary Landrum seconded the motion. Motion passed; unanimous.

**Wire Crafters, LLC**  
**Jefferson County**

**Taylor Sears**  
**Debbie Phillips**

Mr. Sears stated WireCrafters, LLC, established in 1967, is a leading provider of wire partitions in the United States. The company is considering the expansion of its existing facility to increase productivity and to help meet customer demands.

Ms. Phillips stated the project investment is \$4,110,000 of which \$1,000,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$34.75 including benefits. The state wage assessment participation is 3.0% and Louisville/Jefferson County Metro Government will participate at 1.0%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,000,000.

Mr. Hall moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

**KBI Projects (Extension)**

Chairman Hale called on Ms. Elder to present the KBI extension requests to the Authority.

Ms. Elder stated 6 companies requested additional time to complete the projects and asked that all 6 be presented as one motion.

<b>Company</b>	<b>County</b>	<b>Extension</b>
<b>eTechCampus, L.L.C.</b>	Fayette	3 Month
<b>Seven Peaks Minerals, Inc.</b>	Pike	3 Month
<b>EZ Portable Buildings, Inc.</b>	McCracken	6 Month
<b>Hafendorfer Machine, Inc.</b>	Jefferson	12 Month
<b>Integrity Express Logistics, LLC</b>	Kenton	12 Month
<b>Whitworth Tool, Inc.</b>	Breckinridge	12 Month

Staff recommended approval of the KBI extension requests.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

### KBI Projects (Final)

Chairman Hale called on Ms. Phillips to present the KBI final projects to the Authority.

Ms. Phillips stated 3 companies requested KBI final approval, 2 of which have modifications since preliminary approval. Ms. Phillips asked that all 3 be presented as one motion.

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
Hogan Lovells US LLP	Jefferson	Service & Technology

Modifications:

**Holley Performance Products, Inc.** Warren Manufacturing  
 The total investment increased from \$1,325,000 to \$2,455,000; the eligible costs increased from \$625,000 to \$1,025,000; the job target increased from 20 to 40; the average hourly wage target increased from \$14.00 to \$38.00 and the total negotiated tax incentive amount increased from \$400,000 to \$800,000. All other aspects of the project remain the same.

**New Source Medical, Inc.** Jefferson Service & Technology  
 The project changed from leased to owned. All other aspects of the project remain the same.

Staff recommended approval of the KBI final resolutions and tax incentive agreements and the authorization to execute and deliver the documents.

Mr. Kelly moved to approve the staff recommendation, as presented; Mr. Hall seconded the motion. Motion passed, unanimous.

### Kentucky Small Business Tax Credit (KSBTC) Projects

Chairman Hale called on Tim Back to present the KSBTC projects to the Authority.

Mr. Back stated there were 5 Kentucky small businesses from 4 counties with qualifying tax credits of \$45,500. The 5 businesses created 13 jobs and invested \$256,053 in qualifying equipment or technology.

Mr. Back requested the following tax credits be presented as one motion:

<u>Qualified Small Business</u>	<u>County</u>	<u>Beg. Emp.</u>	<u>Elig. Pos.</u>	<u>Average Hourly Wage</u>	<u>Qualifying Equipment or Technology</u>	<u>Tax Credit</u>
Engineered Building Systems, Inc.	Campbell	4	5	\$ 28.41	\$ 17,763	\$ 17,500
James C. Burris Architects LLC	Fayette	0	1	\$ 15.41	\$ 6,300	\$ 3,500
Mile Wide Beer Company, LLC	Jefferson	1	2	\$ 29.97	\$ 165,020	\$ 7,000
Scott Endodontics, PLC	Jefferson	0	3	\$ 17.83	\$ 14,970	\$ 10,500
Total Packaging of Kentucky, Inc.	Daviess	4	2	\$ 17.13	\$ 52,000	\$ 7,000



Staff recommended approval of the tax credits.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

## **Other Business**

### **KEDFA Bylaws**

Katie Smith presented the Fifth Amended and Restated Bylaws and reviewed the modifications with the Authority. The requested changes include updates related to the Cabinet's reorganization and removing the authorizations regarding the LGEDF programs since they were previously transferred to the Department of Local Government.

Mr. Kelly moved to approve the amended bylaws as presented; Mr. Hall seconded the motion. Motion passed; unanimous.

### **Authorized Signatories**

Ms. Smith presented a memorandum updating the signatory authorizations for The Bank of New York Mellon regarding disbursements on behalf of KEDFA.

Mr. Goodin moved to approve the memorandum for authorized signatories as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

### **Adjournment**

There being no further business, Chairman Hale entertained a motion to adjourn.

Mr. Ballinger moved to adjourn the February KEDFA board meeting; Mr. Kelly seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:36 a.m.

**PRESIDING OFFICER:**

  
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Jean Hale, Chairman