

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING October 25, 2018

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:01 a.m. EDT on October 25, 2018, at the Cabinet for Economic Development, Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, Kentucky.

Notification of Press

J. Don Goodin, Vice Chairman, received verification that the media had been notified of the KEDFA regular monthly board meeting.

Roll Call

Members Present: J. Don Goodin, Ryan Barrow, proxy for Secretary William M. Landrum, III, Tucker Ballinger, Joe Kelly and Chad Miller

Staff Present: Bobby Aldridge, Tim Back, Anna Beth Bobbitt, Jessica Burke, Sarah Butler, Michelle Elder, Terry R. Gill, Jr., Krista Harrod, Jack Mazurak, Lauren Osborne, Kylee Palmer, Debbie Phillips, Taylor Sears, Katie Smith, Teresa Spreitzer and Lucas Witt

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Alex Stafferini, Stoll Keenon Ogden; Jeff Hodges, Gray Construction; Billy Aldridge, Finance and Administration Cabinet, Office of Financial Management; Todd Hamilton and John Hill, Mountjoy Chilton Medley, LLP; Barry Lendrum, Paladin; Matthew Zoellner, Scott, Murphy & Daniel; and State Representative Phillip Pratt, 62nd District

Approval of Minutes

Vice Chairman Goodin entertained a motion to approve the minutes from the September 27, 2018 regular KEDFA board meeting.

Joe Kelly moved to approve the minutes, as presented; Chad Miller seconded the motion. Motion passed; unanimous.

Approved/Undisbursed Report

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

Financial Statements and Monitoring Reports

Vice Chairman Goodin called on Krista Harrod to review the financial statements as of September 30, 2018 and monitoring reports. After review, the Authority accepted the statements and reports as presented.

KEDFA Grant (Amendment)

Vice Chairman Goodin called on Ms. Palmer to present a KEDFA Grant amendment request to the Authority.

Louisville/Jefferson County Metro Government Louisville Regional Airlift Development, Inc. Jefferson County

Ms. Palmer stated that the Louisville/Jefferson County Metro Government requested to amend the Louisville Regional Airlift Development, Inc. (LRAD) KEDFA Grant. This project received approval at the July 27, 2017 KEDFA meeting for up to \$1,330,000 to support the development of new commercial air service non-stop routes from Louisville International Airport (SDF). The original approval was to provide a one year minimum revenue guarantee (MRG), not to exceed \$665,000, to two new non-stop domestic routes from SDF to locations determined by LRAD. KEDFA would represent a maximum of 1/3 of the MRG.

The LRAD Executive Committee, led by state and local business and government leaders, is currently in negotiations with an airline to provide a non-stop flight from SDF. After discussions with the airline, staff received a request to amend the project. The amendment request is as follows:

- Amend the requirement of two new non-stop domestic routes from SDF to one new non-stop domestic route
- Amend the amount of disbursement from \$665,000 MRG per route to \$1,330,000 MRG per route and remove the maximum of 1/3 of the MRG
- Amend the use of proceeds from a one year MRG to a two year MRG
- Amend the term of disbursement from December 31, 2018 to December 31, 2019 and term of the agreement from June 30, 2023 to December 31, 2021

Staff recommended approval to amend the Louisville/Jefferson County Metro Government's Louisville Regional Airlift Development, Inc. KEDFA Grant.

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

Kentucky Business Investment (KBI) Project (Modification)

Vice Chairman, Goodin called on Debbie Phillips to present a KBI project modification to the Authority.

Bendix Spicer Foundation Brake, LLC Warren County

Ms. Phillips stated Bendix Spicer Foundation Brake, LLC received KBI preliminary approval on February 27, 2014 for an expansion of its manufacturing facility in Bowling Green, Warren County. The company is a complete source of OEM brake system design, manufacturing, hardware and support for all foundation brake components and actuation systems. At preliminary approval, the eligible costs were \$2,356,000.

At final approval on September 27, 2018, the eligible costs of \$3,076,000 were incorrectly submitted on the application. The eligible costs should be \$4,356,000. Therefore, the tax incentive agreement and KBI board report have been updated to reflect the appropriate eligible costs.

Staff recommended KEDFA ratify the modification.

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

KBI Project (Amendment)

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

Maxim Crane Works, LP Campbell County

Mr. Aldridge stated Maxim Crane Works, LP received final approval on June 28, 2018 for a KBI project to expand their crane rental and lifting service operations and establish a headquarters in the city of Wilder. Subsequent to the execution and delivery of the Tax Incentive Agreement, the Company provided documentation showing that the number of employees constituting the Base Employment of 80 employees was overstated due to the inclusion of employees who do not work at the project site. The correct Base Employment number should be 49 employees. The Company requested that the Base Employment in the Agreement be corrected to reflect the accurate number. This amendment documents the change in the Base Employment number. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

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

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

Vice Chairman Goodin called on Mr. Aldridge to present the KEIA project extension requests to the Authority.

Mr. Aldridge stated eight companies requested additional time to complete the projects and asked that all eight be presented as one motion.

Company	County	Extension
Rabbit Hole Spirits, LLC	Jefferson	3 Month
The Bardstown Bourbon Company, LLC	Nelson	3 Month
AAK USA K2, LLC	Jefferson	4 Month
Alltech, Inc.	Jessamine	6 Month
Corning Incorporated	Boyle	12 Month
Infiltrator Water Technologies, LLC	Clark	12 Month
MGPI of Indiana, LLC	Grant	12 Month
Southern Recycling, LLC	Warren	12 Month

Staff recommended approval of the KEIA extension requests.

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

KEIA Projects

Vice Chairman Goodin called on staff to present the KEIA projects to the Authority.

Buffalo Trace Distillery, Inc. Franklin County

Anna Beth Bobbitt stated Buffalo Trace Distillery, Inc. has been making bourbon whiskey for more than 200 years. The project includes the expansion of distillation capacity, revamp of the

**Anna Beth Bobbitt
Debbie Phillips**

cooking operation and conversion of the old bottling house into a fermenter building with new fermenters.

Ms. Phillips stated the project investment is \$34,000,000 of which \$6,000,000 qualifies as KEIA eligible costs.

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

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

**Summit Polymers, Inc.
Hardin County**

**Lauren Osborne
Debbie Phillips**

Lauren Osborne stated Summit Polymers, Inc. manufactures interior car parts, including portions of the dashboards and consoles for Nissan and Ford. The company is considering the expansion of its facility in Elizabethtown to meet customers' demand.

Ms. Phillips stated the project investment is \$3,979,428 of which \$800,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$48,000 for construction materials and building fixtures.

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

**American Greetings Corporation
Boyle County**

**Taylor Sears
Debbie Phillips**

Taylor Sears stated American Greetings Corporation opened its Danville Distribution Center in 1967 distributing every day cards, party goods, gift packaging and other items. The company is considering an expansion to absorb the fulfillment and distribution of seasonal greeting cards.

Ms. Phillips stated the project investment is \$9,639,573 of which \$4,851,877 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$250,000 for construction materials and building fixtures.

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

**United Dairy Farmers, Inc.
Kenton County**

**Taylor Sears
Debbie Phillips**

Mr. Sears stated United Dairy Farmers, Inc. operates a cold storage facility in Erlanger, KY for its ice cream products as well as 3rd party storage and handling. The company is considering building another cold storage facility to meet the demand for frozen storage.

Ms. Phillips stated the project investment is \$19,418,579 of which \$11,726,922 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$500,000 for construction materials and building fixtures.

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

Kentucky Business Investment (KBI) Projects (Preliminary) and KEIA Projects

Vice Chairman Goodin called on staff to present a KBI preliminary project and KEIA project to the Authority.

Core Scientific, Inc. Marshall County

**TaylorSears
Michelle Elder**

Mr. Sears stated Core Scientific, Inc. is an infrastructure, technology and services company focused on blockchain and artificial intelligence hosting. The company is considering locating a data center in Marshall County to provide colocation, hosting and related services to third-parties as well as operate servers capable of interacting with a variety of open source digital asset networks.

Michelle Elder stated the project investment is \$44,522,205, all of which qualifies as KBI eligible costs and \$8,732,205 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 35 with an average hourly wage of \$26.00 including benefits. The state wage assessment participation is 5.0%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$450,000 and the KEIA approved recovery amount of \$250,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

Highlands Diversified Services, Inc. Laurel County

**Taylor Sears
Michelle Elder**

Mr. Sears stated Highlands Diversified Services, Inc. (HDS) is a full-service contract manufacturer serving the telecommunication, automotive and aerospace markets. HDS specializes in metal stamping, welding, powder-coat painting, assembly, warehousing and distribution. The company is considering expanding its current location to meet customer demand.

Ms. Elder stated the project investment is \$10,625,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 65 with an average hourly wage of \$13.00 including benefits. The state wage assessment participation is 5.0%. 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.

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

**Lummus Corporation
Jefferson County**

**Taylor Sears
Michelle Elder**

Mr. Sears stated Lummus Corporation is a family of companies which include three lines of business; Agriculture, Manufacturing and Intralogistics with corporate headquarters in Savannah, GA. The company is considering a potential move of its corporate headquarters to Louisville to provide more focused efforts in supporting its Intralogistics segment growth.

Ms. Elder stated the project investment is \$5,230,000 of which \$2,615,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 45 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 \$750,000.

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

**Pounds of Plastic, Inc.
Owen County**

**Lucas Witt
Michelle Elder**

Lucas Witt stated Pounds of Plastic, Inc. is a Canadian-based company that produces custom polymers and thermoplastics for the automotive industry. The company is considering locating a new production facility in Owenton. Pounds of Plastic would need to up fit the building as well as purchase new equipment.

Ms. Elder stated the project investment is \$4,148,170 of which \$3,348,170 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 54 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 3.0% and the City of Owenton will participate at 1.0%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$900,000.

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

**Leggett & Platt, Incorporated
Clark County**

**Lauren Osborne
Debbie Phillips**

Ms. Osborne stated Leggett & Platt, Incorporated manufactures mechanized bedding products and furniture hardware. The company has been in business for 135 years. The project would include expanding its facility and purchasing additional equipment to support increased production.

Ms. Phillips stated the project investment is \$5,000,000 of which \$1,300,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 15 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 3.0% and the City of Winchester 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. The project will include multiple locations within the City of Winchester, Clark County. Only investment costs incurred at 130 Ecton Road 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 \$150,000.

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

**Specialty Medical Drugstore, LLC, LLC dba GoGoMeds
Boone County**

**Anna Beth Bobbitt
Debbie Phillips**

Ms. Bobbitt stated Specialty Medical Drugstore, LLC, LLC dba GoGoMeds is a full-service pharmacy selling prescriptions directly to consumers, employers, and pharmaceutical manufacturing companies. The company is considering Hebron for its new location.

Ms. Phillips stated the project investment is \$24,450,000 of which \$3,835,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 125 with an average hourly wage of \$32.00 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 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. Miller moved to approve the staff recommendation, as presented; Mr. Barrow seconded the motion. Motion passed; unanimous.

KBI Projects (Extension)

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

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

Company	County	Extension
EZ Portable Buildings, Inc.	McCracken	6 Month
American Howa Kentucky, Inc.	Woodford	12 Month
American Metal Works, LLC	Johnson	12 Month
Bemis Packaging, LLC	Shelby	12 Month
Central Motor Wheel of America, Inc.	Bourbon	12 Month
Pond River Enterprises, LLC	Muhlenberg	12 Month
Studio Calico, LLC	Warren	12 Month
Sumitomo Electric Wiring Systems, Inc.	Fayette	12 Month
Toyo Automotive Parts (USA), Inc.	Simpson	12 Month

Staff recommended approval of the KBI extension requests.

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

KBI Projects (Final)

Vice Chairman Goodin called on Ms. Phillips to present the KBI projects for final approval to the Authority.

Ms. Phillips stated five companies requested KBI final approval, one of which has a modification since preliminary approval. Ms. Phillips asked that all five be presented as one motion.

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
KEEN, Inc.	Bullitt	Service & Technology
Kimball Furniture Group, LLC	Boyle	Manufacturing
Kobe Aluminum Automotive Products LLC	Warren	Manufacturing
WPT Corporation	Ohio	Manufacturing

Modification:

Bilstein Cold Rolled Steel LP Warren Manufacturing
Ms. Phillips stated the Total Investment increased from \$120,000,000 to \$130,000,000; the Eligible Costs increased from \$53,814,396 to \$54,014,396; the Job Target increased from 90 to 110 and the Total Negotiated Tax Incentive increased from \$3,500,000 to \$4,500,000. 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. Miller seconded the motion. Motion passed, unanimous.

Kentucky Reinvestment Act (KRA) Project (Final)

Vice Chairman Goodin called on Ms. Elder to present a KRA final project to the Authority.

Westlake Vinyls, Inc. Marshall County

Ms. Elder stated Westlake Vinyls, Inc. requested final approval of its project. There have been no modifications to the project since preliminary approval. The company currently has 415 full-time employees and has expended \$91,523,440 in equipment and related costs. Westlake Vinyls, Inc. is eligible to receive the \$10,000,000 negotiated tax incentive amount as preliminarily approved.

Staff recommended final approval of the KRA resolution, revitalization agreement and the authorization to execute and deliver the documents.

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

Kentucky Small Business Tax Credit (KSBTC) Projects

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

Mr. Back stated there are 16 Kentucky small businesses from nine counties with qualifying tax credits of \$175,500. The 16 businesses created 53 jobs and invested \$249,415 in qualifying equipment and/or technology.

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

Qualified Small Business	County	Beg. Emp.	Elig. Pos.	Average Hourly Wage	Qualifying Equipment and/or Technology	Tax Credit
Babcon Inc.	Madison	32	2	\$ 14.50	\$ 23,600	\$ 7,000
Ballast, Inc.	Fayette	6	2	\$ 26.16	\$ 12,563	\$ 7,000
Blue Dot Cab Company	Hopkins	4	8	\$ 13.31	\$ 30,511	\$ 25,000
Bluegrass Chiro, PLLC	Boyle	30	5	\$ 21.73	\$ 17,922	\$ 17,500
Boyd Family Dentistry, PLLC	Boyle	0	5	\$ 25.88	\$ 10,553	\$ 10,500
Drinkswell Services, LLC	Woodford	3	1	\$ 20.00	\$ 15,100	\$ 3,500
HCL Demolition, Inc.	Jefferson	3	1	\$ 14.00	\$ 7,900	\$ 3,500
IGNEW, LLC	Jefferson	6	1	\$ 31.25	\$ 5,666	\$ 3,500
Jack F. Lenihan, D.M.D., P.S.C.	Grant	4	1	\$ 17.00	\$ 5,090	\$ 3,500
Lexington Podiatry, PSC	Fayette	19	5	\$ 28.02	\$ 17,821	\$ 17,500
Miranda Construction, LLC	Jefferson	4	6	\$ 24.00	\$ 32,150	\$ 21,000
One Way Gynecology, L.L.C.	Boyle	0	5	\$ 16.34	\$ 19,193	\$ 17,500
Performance Body Repair, Inc.	Boone	8	2	\$ 23.20	\$ 9,717	\$ 7,000
Steinkamp Moulding LTD.	Boone	11	1	\$ 19.00	\$ 9,650	\$ 3,500
West Louisville Preservation Hall, LLC	Daviess	0	1	\$ 15.00	\$ 5,563	\$ 3,500
Winner Furnishings Group, L.L.C.	Jefferson	27	7	\$ 13.33	\$ 26,416	\$ 24,500

Staff recommended approval of the tax credits.

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

Other Business

Quarterly Report - Kentucky Small Business Credit Initiative (KSBCI)

Vice Chairman Goodin called on Ms. Palmer to review the KSBCI Quarterly Funding Report for the period ending September 30, 2018. After review, the Authority accepted the report as presented.

Quarterly Report – Letter Amendment / Resolution

Vice Chairman Goodin called on Jessica Burke to review the Quarterly Amendment Report ending September 30, 2018.

Ms. Burke stated the Bylaws of the Board of Directors of KEDFA grant authority to the Commissioner of the Department for Financial Services to effectuate minor changes or modifications to existing agreements with approved companies that do not substantively modify contract terms.

Ms. Burke noted the following Letter Amendment has been executed:

KBI

A.C.E. Compressor Parts & Service, Inc.

Letter Amendment to KBI Tax Incentive Agreement dated July 30, 2015, for A.C.E. Compressor Parts & Service, Inc., due to a base employment number change from eight (8) to ten (10).

Staff recommended the Authority accept the amendment report and adopt the resolution to ratify the amendment.

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

Audit Report

Vice Chairman Goodin called on Katie Smith.

Ms. Smith introduced Todd Hamilton and John Hill, Mountjoy Chilton Medley LLP, and invited them to review the audited Financial Statements Ending June 30, 2018 and 2017 and the Auditor's Communication for year ended June 30, 2018.

Mr. Hamilton stated the audit disclosed no instances of noncompliance and no findings which are required to be reported in accordance with Government Auditing Standards with regard to KEDFA's financial statements for the year ended June 30, 2018.

After review, the Authority accepted the report as presented.

Executive Session

Pursuant to KRS Section 61.810 (1) (C), Vice Chairman Goodin entertained a motion to enter into executive session to discuss proposed or pending litigation against or on behalf of the public agency.

Mr. Miller moved to enter into executive session, Mr. Ballinger seconded the motion. Motion passed; unanimous. The board entered into executive session at 11:06 a.m.

Regular Session

Vice Chairman Goodin entertained a motion to return to regular session.

Mr. Kelly moved to return to regular session; Mr. Barrow seconded the motion. Motion passed; unanimous. The board returned to regular session at 11:16 a.m.

KEDFA Loan (Amendment)

The Thompson Group Henderson County

A motion was made by Mr. Miller and seconded by Mr. Ballinger to approve an amendment to The Thompson Group's KEDFA Loan. The borrower will increase the monthly principal payment to \$3,500 plus 4% interest for the remaining term of the loan which will mature March 29, 2023 in exchange for a lien release on specific equipment to be sold. Motion passed; unanimous.

Adjournment

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

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

The meeting adjourned at 11:17 a.m.

**APPROVED
PRESIDING OFFICER:**



Jean R. Hale, Chairman