

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING September 27, 2018

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:02 a.m. EDT on September 27, 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 R. 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, Melinda Hill, proxy for Secretary William M. Landrum, III, Joe Kelly and Chad Miller

Staff Present: Bobby Aldridge, Tim Back, John Bevington, Anna Beth Bobbitt, Sarah Butler, Michelle Elder, Kate Greenwell, Krista Harrod, Brandon Mattingly, Lauren Osborne, Kylee Palmer, Debbie Phillips, Lindsey Ransdell, Katie Smith, Teresa Spreitzer and Lucas Witt

Others Present: Michael Kalinyak, Hurt, Deckard & May; Dwight Young, Stites & Harbison; Alex Stafferini, Stoll Keenon Ogden; Jeff Hodges, Gray Construction; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Josh Tubbs, Kentucky Lake Economic Development; and Sierra Enlow, Louisville Forward

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the August 30, 2018 regular KEDFA board meeting and executive session.

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

Approved/Undisbursed Report

Chairman Hale called on Kylee Palmer to review the approved/undisbursed 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 as of August 31, 2018 and the September 2018 monitoring reports. After review, the Authority accepted the statements and reports as presented.

Kentucky Business Investment (KBI) Project (Modification)

Chairman Hale called on Michelle Elder to present a KBI project modification request to the Authority.

Ms. Elder stated Nucor Steel Gallatin LLC was preliminarily approved for incentives on May 25, 2017 for the expansion of its pickling and galvanizing operations in Ghent, Kentucky. Since preliminary approval, the company is considering further expansion by adding a second melt shop and a second casting line, thereby doubling the capacity of the mill.

Modifications since preliminary approval include an increase in the total investment and eligible costs from \$175,600,000 to \$820,000,000; an increase in the job target from 75 to 120; a decrease in the average hourly wage from \$46.00 to \$45.00; and an increase in the total negotiated tax incentive amount from \$4,000,000 to \$5,000,000. All other aspects of the project remain the same.

Staff recommended approval of the KBI modification request.

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

KBI Project (Amendment)

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

Lyons Magnus East, LLC Boone County

Mr. Aldridge stated Lyons Magnus East, Inc. amended its Articles of Organization to convert to a LLC. The company requested the Tax Incentive Agreement, dated April 28, 2016, be amended for both the change in company name and business structure.

Staff recommended approval of the KBI amendment request.

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

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

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

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

Company	County	Extension
KINAK U.S. Inc.	Jefferson	2 Month
Master Engineering, Inc. dba Piccola Manufacturing Road ID, Inc.	Bullitt	2 Month
Heaven Hill Distilleries, Inc.	Kenton	2 Month
Creform Corporation	Jefferson	3 Month
FedEx Ground Package System, Inc.	Scott	6 Month
Logan Aluminum Inc.	Boone	6 Month
Lux Row Distillers LLC	Logan	9 Month
Premier Packaging, LLC	Nelson	12 Month
Strong Tower Construction LLC dba Koch Corporation	Jefferson	12 Month

Staff recommended approval of the KEIA extension requests.

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

KEIA Projects

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

**Buffalo Trace Distillery, Inc.
Franklin County**

**Anna Beth Bobbitt
Debbie Phillips**

Anna Beth Bobbitt stated Buffalo Trace Distillery, Inc. has been making bourbon whiskey for more than 200 years. The project would include the expansion of its barrel storage warehouses in order to keep up with increased demand.

Debbie Phillips stated the project investment is \$16,000,000 of which \$5,500,000 qualifies as KEIA eligible costs.

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

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

**Steel Technologies LLC
Gallatin County**

**Lindsey Ransdell
Michelle Elder**

Lindsey Ransdell stated Steel Technologies LLC (Steel Tech), founded in 1971, supports a broad range of industry segments throughout North America. The company currently operates 24 facilities located throughout the United States, Canada and Mexico. Steel Tech is considering expanding its Ghent location in order to process galvanized steel. The proposed project is to construct a new building as well as the acquisition and installation of machinery and equipment.

Ms. Elder stated the project investment is \$14,400,000 of which \$5,785,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$340,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

**IJW Whiskey Company, LLC
Jefferson County**

**Lindsey Ransdell
Michelle Elder**

Ms. Ransdell stated IJW Whiskey Company, LLC is considering the purchase of property for its world headquarters. The company plans to develop office space and potentially create a micro-distillery to expand its involvement in the bourbon industry.

Ms. Elder stated the project investment is \$3,750,000 of which \$3,650,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 10 with an average hourly wage of \$25.00 including benefits. The state wage assessment participation is 3.0% and Louisville/Jefferson County Metro Government will participate at 1.0%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$175,000.

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

**UPS Supply Chain Solutions, Inc.
Jefferson County**

**Lindsey Ransdell
Michelle Elder**

Ms. Ransdell stated UPS Supply Chain Solutions, Inc. headquartered in Georgia, serves more than 200 countries and territories worldwide and operates the largest franchise shipping store. The company is considering expanding its location in Louisville in order to meet customer demand.

Ms. Elder stated the project investment is \$3,844,169 of which \$2,564,169 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 135 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 0.75% and Louisville/Jefferson County Metro Government will participate at 0.25%. 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 \$1,350,000.

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

**United Systems & Software, Inc.
Marshall County**

**Anna Beth Bobbitt
Michelle Elder**

Ms. Bobbitt stated United Systems & Software, Inc. is a technical services firm that specializes in software development and information technology for utilities and local governments. The company is developing new product offerings and is out of space at its current location and is considering constructing a new facility as well as purchasing new equipment.

Ms. Elder stated the project investment is \$5,300,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 50 with an average hourly wage of \$45.00 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 \$1,000,000.

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

**Tiffany and Company Jewelers, Inc.
Fayette County**

**Anna Beth Bobbitt
Debbie Phillips**

Ms. Bobbitt stated Tiffany, founded in 1837 in New York, operates jewelry and specialty retail stores and manufactures products through its subsidiary corporations. The company operates Tiffany & Co. retail stores and boutiques worldwide and also engages in direct selling through

the internet, catalog and business gift operations. The company is proposing to expand its jewelry manufacturing facility to meet customer demand.

Ms. Phillips stated the project investment is \$500,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 130 with an average hourly wage of \$26.00 including benefits. The state wage assessment participation is 3.0% and Lexington-Fayette Urban County Government will participate at 1.0%. The company will be required to maintain a base employment equal to the greater of the number of full-time, Kentucky resident employees as of the date of preliminary approval or 125 full-time, Kentucky resident employees (base employment number required by previous project).

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

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

**Tier 3 Technologies, LLC
Jefferson County**

**Lauren Osborne
Debbie Phillips**

Lauren Osborne stated Tier 3 Technologies, LLC specializes in optimizing network resources for clients across the world to insure the most effective performance of its software investment over wide area networks. The company is considering an expansion of its current facility to meet customer demand.

Ms. Phillips stated the project investment is \$2,436,200 of which \$1,333,700 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 62 with an average hourly wage of \$44.00 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 \$700,000.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Kelly 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 eight companies requested additional time to complete the projects and asked that all eight be presented as one motion.

Company	County	Extension
Cannon Automotive Solutions – Bowling Green, Inc.	Warren	3 Month
Creform Corporation	Scott	6 Month
FreshChoice Complete Diet Products, LLC	Gallatin	6 Month
PARx Solutions, Inc.	Jefferson	6 Month
WPT Corporation	Ohio	6 Month
Air Hydro Power, Inc.	Jefferson	12 Month
Innovative Mattress Solutions, LLC	Fayette	12 Month
Senture, LLC	Jackson	12 Month

Staff recommended approval of the KBI extension requests.

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

KBI Projects (Final)

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

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

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
Carl Zeiss Vision Inc.	Boone	Manufacturing
Diversified Consultants, Inc.	Jefferson	Service & Technology

Modifications:

Brown-Forman Corporation	Jefferson	Manufacturing
The company requested to add an affiliate, Brown-Forman Distillery, Inc. All other aspects of the project remain the same.		

Bendix Spicer Foundation Brake, LLC	Warren	Manufacturing
The eligible costs of the project increased from \$2,356,000 to \$3,076,000; the job target increased from 43 to 143; and the total negotiated tax incentive amount increased from \$500,000 to \$1,000,000. All other aspects of the project remain the same.		

Karbec LLC	Hardin	Service & Technology
The county changed from Larue County to Hardin County and the project changed from leased to owned. All other aspects of the project remain the same.		

KOWA Kentucky, Inc.	Knox	Manufacturing
The company name changed from Kowa Kosya-sho Co., LTD to KOWA Kentucky, Inc. All other aspects of the project remain the same.		

Peristyle, LLC	Woodford	Manufacturing
The total investment increased from \$4,182,917 to \$36,320,000; the eligible costs increased from \$3,185,417 to \$23,380,000; the job target increased from 10 to 100, the average hourly wage increased from \$17.00 to \$20.00 and the total negotiated tax incentive amount increased from \$200,000 to \$2,000,000. All other aspects of the project remain the same.		

V-Soft Consulting Group, Inc.	Jefferson	Service & Technology
The total investment and eligible costs increased from \$206,250 to \$8,202,695; the job target increased from 25 to 105; the total negotiated tax incentive amount increased from \$200,000 to \$1,500,000. 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.

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

Kentucky Reinvestment Act (KRA) Project (Final)

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

Saputo Dairy Foods (USA), LLC Calloway County

Ms. Elder stated Saputo Dairy Foods (USA), LLC requested final approval of its KRA project. The company currently has 299 full-time, Kentucky resident employees and has expended \$13,045,703 in equipment and related costs of which \$6,522,852 are eligible costs. Saputo Dairy Foods (USA), LLC is eligible to receive the \$3,500,000 negotiated tax incentive amount as preliminarily approved. A modification to the retention percentage has been made since preliminary approval from 95% to 90%. All other aspects of the project remain the same.

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

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

Kentucky Jobs Retention Act (KJRA) Project (Final)

Chairman Hale called on Ms. Elder to present a KJRA final project to the Authority.

Haier US Appliance Solutions, Inc. dba GE Appliances Jefferson County

Ms. Elder stated Haier US Appliance Solutions, Inc. dba GE Appliances requested final approval of its KJRA project. Modifications to the project have been made since preliminary approval. GE sold the Appliance Park to Haier US Appliance Solutions, Inc. dba GE Appliances on June 6, 2017 and requested the recognition of the sale and the assignment of the project to the new owner of Appliance Park. GE Appliances also requested the deadline to execute and deliver the Jobs Retention Agreement be extended to September 30, 2018 in accordance with the terms of the Memorandum of Agreement. All other aspects of the project remain the same.

Staff recommended final approval of the KJRA resolution and jobs retention agreement and the authorization to execute and deliver the documents.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller 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 are 12 Kentucky small businesses from six counties with qualifying tax credits of \$147,500. The 12 businesses created 43 jobs and invested \$360,728 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
Calloway Pest Control, Inc.	Woodford	2	1	\$ 12.00	\$ 27,746	\$ 3,500
Commonwealth Eye Clinic, Inc.	Fayette	7	4	\$ 28.12	\$ 15,022	\$ 14,000
Cuddle Clones LLC	Jefferson	6	1	\$ 13.60	\$ 10,405	\$ 3,500
D. Thomas Compton, P.S.C.	Warren	9	2	\$ 21.50	\$ 24,999	\$ 7,000
Hatfield Media LLC	Jefferson	6	4	\$ 22.67	\$ 14,228	\$ 14,000
Laise Packaging, LLC	Jefferson	2	1	\$ 15.38	\$ 40,443	\$ 3,500
Lance S. Ferguson, M.D., P.S.C.	Fayette	26	5	\$ 17.72	\$ 34,011	\$ 17,500
Laswell Electric Company, Inc.	Jefferson	5	2	\$ 15.49	\$ 17,283	\$ 7,000
Midsouth Rentals, LLC	Daviess	15	6	\$ 22.35	\$ 54,000	\$ 21,000
Owensboro RV Incorporated	Daviess	15	5	\$ 32.40	\$ 59,234	\$ 17,500
Please & Thank You, LLC	Jefferson	8	4	\$ 13.50	\$ 34,905	\$ 14,000
Polaris of Paducah, Inc.	McCracken	0	8	\$ 18.63	\$ 28,452	\$ 25,000

Staff recommended approval of the tax credits.

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

Other Business

Resolution of Recognition

Chairman Hale read a Resolution of Recognition to Joan Ward who will retire after 26 years of service to the Cabinet and the Commonwealth.

Mr. Goodin moved to adopt the resolution, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

Resolution of Recognition

Chairman Hale read and presented a Resolution of Recognition to John Bevington for his service to the Cabinet and the Commonwealth for the past 9 years.

Mr. Miller moved to adopt the resolution, as presented; Mr. Kelly seconded the motion. Motion passed; unanimous.

Adjournment

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

Mr. Goodin moved to adjourn the September KEDFA board meeting; Ms. Hill seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:32 p.m.

PRESIDING OFFICER:


 J. Don Goodin, Vice Chairman