

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING May 26, 2016

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EST on May 26, 2016, 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, Aubrey Hayden, Edwin King, Proxy for Secretary William M. Landrum, III, Tucker Ballinger, Joe Kelly and Mike Vogt

Staff Present: Bobby Aldridge, Tim Back, Caroline Baesler, Anna Beth Bobbitt, Lynda Cunningham, Marlene Duffy, Michelle Elder, John Enochs, Alec Germond, Don Goodin, Brandon Mattingly, Corky Peek, Debbie Phillips, Lindsey Ransdell, Katie Smith, Teresa Spreitzer, Frank Tate and Kristina Thompson

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; State Representative John Short, 92nd District and Rebecca Fleischaker, Louisville/Jefferson County Metro Government

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the April 28, 2016 regular KEDFA board meeting.

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

Approved/Undisbursed Loan Report

Chairman Hale called on Don Goodin to review the approved/undisbursed loan report.

After review, the Authority accepted the report as presented.

Financial Statements and Monthly Monitoring Reports

Chairman Hale called on Katie Smith to review the financial statements and monthly monitoring reports as of April 30, 2016.

After review, the Authority accepted the statements and reports as presented.

High-Tech Pool Project (Modification)

Chairman Hale called on Mr. Goodin to present the High Tech Pool modification request to the Authority.

CreoSalus, Inc. Jefferson County

Mr. Goodin stated in July 2007, KEDFA approved a \$750,000 Forgivable Loan for CreoSalus, Inc., all of which has been disbursed. The purpose of the loan was to purchase laboratory equipment to assist the company in its research and pharmaceutical drug development for animals and humans. At the time the loan was approved, the company had 19 full-time, Kentucky resident employees and was required to create 41 new, full-time, Kentucky resident jobs by December 31, 2011, paying an average annual salary of \$80,000, excluding benefits.

Since that time, the original loan was modified and the compliance dates extended. The company agreed to an amortization on part of the original loan, with annual payments of \$39,634 at rate of 2%. The final payment on this portion of the loan is December 31, 2016, and the final compliance date was extended to December 31, 2016. As a part of that modification, the jobs requirement was lowered to 28 new, full-time, Kentucky resident jobs, and the average annual salary requirement was lowered to \$65,000.

The company contacted KEDFA staff several months ago and indicated it would not be able to meet the job and wage requirements due to delays in getting FDA drug approval for a new product. The Office of Entrepreneurship and KEDFA staff worked with the company over the past few months to negotiate changes to the Loan Agreement. Based upon negotiations with the company, staff proposed the following loan modifications:

- Extension of compliance dates:
The December 31, 2015 and December 31, 2016 compliance dates be extended to December 31, 2016 and December 31, 2017
- Repayment of Existing Loan:
The company owes KEDFA a compliance payment of \$86,568 and another payment of \$39,634 that was due December 31, 2015. The \$39,634 was a payment on a portion of the loan that was amortized at 2%. The company has agreed to pay the total amount due of \$126,202 by October 31, 2016. Interest will continue to accrue on these loans at 2% until they are repaid.
- Final Principal Payment:
The final principal payment of \$39,634 plus accrued interest is due by December 31, 2016. The company has agreed to pay half of that amount by the due date, and has requested the remaining funds be paid by December 31, 2017.

Staff and the Acting Executive Director of the Office of Entrepreneurship recommend approval of the loan modification.

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

Kentucky Business Incentives (KBI) Project (Amendment)

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

STEMCO Products, Inc.

Madison County

Mr. Aldridge stated subsequent to final approval of the project, STEMCO Products, Inc. transferred all of its employees to an affiliated entity, EnPro Associates, LLC, and has requested the Authority recognize EnPro Associates, LLC as an approved affiliate that is eligible to impose wage assessments upon project employees retroactive to May 30, 2015.

Staff recommended approval of the KBI amendment request.

Mike Vogt moved to approve the staff recommendation, as presented; Mr. Ballinger 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 there are 5 companies that have requested additional time to complete the projects and requested they be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Hydro-Gear Limited Partnership	Caldwell	3 Month
Hahn Automation, Inc.	Boone	6 Month
Somerset Center Hotel LP	Pulaski	8 Month
Kobe Aluminum Automotive Products, LLC	Warren	12 Month
Rut’N Strut Distillery LLC	Shelby	12 Month

Staff recommended approval of extension requests.

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

KEIA Projects (Final)

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

Asahi Forge of America Corporation

Madison County

Marlene Duffy stated Asahi Forge of America Corporation produces HUB bearing units for American NTN Bearing Manufacturing and is a supplier to all major automotive manufacturers. The company is considering the expansion of its current facility in Richmond to add capacity for additional press lines and additional descale (shot blasting) lines.

Marlene Duffy

Debbie Phillips

Debbie Phillips stated the project investment is \$10,370,000 of which \$2,300,000 qualifies as KEIA eligible costs.

Staff recommended final approval of the KEIA approved recovery amount of \$100,000 for construction materials and building fixtures.

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

**Kenmark Optical, Inc.
Jefferson County**

**Kristina Thompson
Lynda Cunningham**

Kristina Thompson stated Kenmark Optical, Inc., a distributor of optical frames in Louisville since 1972, is considering relocating to a new facility in Louisville that will require extensive renovations and the addition of 10,000 square feet of warehouse space.

Lynda Cunningham stated the project investment is \$2,500,000 of which \$1,300,000 qualifies as KEIA eligible costs.

Staff recommended final approval of the KEIA approved recovery amount of \$75,000 for construction materials and building fixtures.

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

**RXC Acquisition Company dba RXCrossroads
Jefferson County**

**Anna Beth Bobbitt
Lynda Cunningham**

Anna Beth Bobbitt stated RxCrossroads was formed in 2001 as a specialty distribution, pharmacy and patient support services provider. The company offers a comprehensive portfolio of custom services tailored to the biotechnology and pharmaceutical industries as well as supporting patients and providers through continuum of care. The company is considering expanding its distribution center in Louisville to meet future customer demands and to fulfill its commitment to connect patients to therapy.

Ms. Cunningham stated the project investment is \$24,960,000 of which \$10,000,000 qualifies as KEIA eligible costs.

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

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

KBI Projects (Preliminary)

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

**Ryder Integrated Logistics, Inc.
Boone County**

**Lindsey Ransdell
Michelle Elder**

Lindsey Ransdell stated Ryder System, Inc. founded in 1933 in Miami, FL, started as a concrete hauling business. Today Ryder is one of the largest logistics companies in the country, leasing trucks and serving as third party logistics partner. Ryder's third party logistics services allow clients to optimize their shipping, receiving and warehousing structure by reducing distribution costs and streamlining workforce management while helping their clients increase their presence in new regions. The company is considering opening a logistics facility that will serve as a distribution hub for national retail brands.

Michelle Elder stated the project investment is \$3,000,000 all of which qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 90 with average hourly wages of \$18.00 including benefits. The state wage assessment participation is 1.5% and Boone County Fiscal Court will participate at 0.4%.

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

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

**J & J Lumber, LLC
Grayson County**

**Frank Tate
Michelle Elder**

Frank Tate stated J & J Lumber, LLC, a sawmill operation, has been in business for 8 years in Eastview, KY. The company has outgrown its current location and has located a facility in Millwood which will allow for the expansion of its existing operations. The company is considering the purchase and improvement of the facility in Millwood with equipment and utility upgrades.

Ms. Elder stated the project investment is \$1,120,000 all of which qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 30 with average hourly wages of \$15.00 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 \$600,000.

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

**Pride Industries, Inc.
Union County**

**Frank Tate
Michelle Elder**

Mr. Tate stated Pride Industries, Inc. has been a manufacturing supplier to the roofing and siding businesses for many years. The company has grown its operation to a nationally recognized brand. Pride manufactures metal roofing products and is beginning to offer a new line of ACM panels. This project will consist of purchasing new equipment to help the current demand of the ACM panels.

Ms. Elder stated the project investment is \$150,000 all of which qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 10 with average hourly wages of \$20.00 including benefits. The state wage assessment participation is 3.0% and Union County 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 \$100,000.

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

**Pilgrim's Pride Corporation
Graves County**

**Corky Peek
Michelle Elder**

Corky Peek stated Pilgrim's Pride Corporation is one of the world's largest chicken producers and operates in twelve U.S. states as well as Mexico and Puerto Rico. The company is considering the expansion of its poultry processing facility in Hickory. The expansion would allow for an increase in its deboning and marinating capacity which would contribute to companywide growth across different product lines.

Ms. Elder stated the project investment is \$12,867,085 of which \$4,175,770 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 141 with average hourly wages of \$13.00 including benefits. The state wage assessment participation is 3.0% and Graves County 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 project will include multiple locations within Hickory/Graves County. Only investment costs incurred at 2653 State Route 1241 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 \$1,500,000.

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

**Retail Convergence.com, LP
Bullitt County**

**Marlene Duffy
Debbie Phillips**

Ms. Duffy stated Retail Convergence.com, LP is a leading E-commerce company specializing in flash sales for high-end fashion apparel and merchandise. The company is considering an expansion of its current distribution and media production operation in Shepherdsville to meet product demand and accommodate future growth.

Ms. Phillips stated the project investment is \$15,000,000 all of which qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 102 with average hourly wages of \$20.00 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 \$2,250,000.

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

**Southern Solutions, L.L.C.
Garrard County**

**Marlene Duffy
Debbie Phillips**

Ms. Duffy stated Southern Solutions, L.L.C. specializes in premium residential and commercial millwork and casework for its clients from conception to completion. The company is considering the relocation of its existing operation in Stanford to a larger facility in Lancaster. This move would allow the company to also expand into manufacturing metal tubing used for its casework products in the future.

Ms. Phillips stated the project investment is \$550,000 all of which qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 10 with average hourly wages of \$16.00 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 \$250,000.

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

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

Kentucky Reinvestment Act (KRA) Project (Final)

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

**Hyster-Yale Group, Inc.
Madison County**

Ms. Phillips stated Hyster-Yale Group, Inc. requested final approval of its manufacturing project. The company currently has 674 full-time, Kentucky resident employees and has expended approximately \$3,430,126 in equipment and related costs as well as training of which \$1,719,630 are eligible costs.

The following modifications have been made since preliminary approval: The company's name changed from NACCO Materials Handling Group, Inc. to Hyster-Yale Group, Inc. The company was preliminarily approved for \$2,000,000 in tax incentives, however, documentation at final approval, submitted by the company, indicated \$1,719,630 in eligible costs. The total negotiated tax incentive amount has been adjusted from \$2,000,000 to \$1,719,630. All other aspects of the project remain the same.

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

Mr. Hayden moved to approve the staff recommendation, as presented; Mr. Ballinger 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 5 Kentucky small businesses, from 2 counties with qualifying tax credits of \$66,500. The 5 businesses created 19 jobs and invested \$356,292 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>
East Louisville Interventional Pain Specialists, PLLC	Jefferson	3	4	\$ 15.38	\$ 135,419	\$ 14,000
Mach III Clutch, Inc.	Boone	6	2	\$ 15.83	\$ 100,900	\$ 7,000
Spalding and Day Tool and Die Company	Jefferson	30	7	\$ 19.90	\$ 92,500	\$ 24,500
Thurminators, LLC	Jefferson	4	5	\$ 15.53	\$ 22,353	\$ 17,500
Vegatek Corporation	Jefferson	2	1	\$ 43.75	\$ 5,120	\$ 3,500

Staff recommended approval of the tax credits.

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

Kentucky Angel Investment Act Program Projects

Chairman Hale called on Mr. Back to present the Kentucky Angel Investment Act Program projects to the Authority.

Mr. Back stated there are 6 Kentucky Angel Investment Act Program projects representing 5 Kentucky businesses in 4 counties with 6 individual investors for a total projected investment of \$520,000 and eligible tax credits of \$218,000. The investor will have 60 calendar days in which to make the planned investment and 20 calendar days from the investment date in which to submit proof of the investment before receiving the tax credit.

Mr. Back requested the following proposed Kentucky Angel Investment tax credits be presented as one motion:

<u>Qualified Investor</u>	<u>Qualified Small Business</u>	<u>County</u>	<u>Projected Investment</u>	<u>Tax Credit Amount</u>
George Johnson Rice, Jr.	Double Double D, LLC	Boone	\$ 250,000	\$ 100,000
David A. Cain	Fanbloom, Inc.	Kenton	\$ 20,000	\$ 8,000
Shawn L. Murdock	Fanbloom, Inc.	Kenton	\$ 25,000	\$ 10,000
Jack Polson	First Care Holding, LLC	Laurel	\$ 100,000	\$ 50,000
Thomas Allen Jones	Rabbit Hole Spirits, LLC	Jefferson	\$ 100,000	\$ 40,000
Brian J. Stegman	Urban Technology Inc.	Kenton	\$ 25,000	\$ 10,000

Staff recommended approval of the proposed tax credits.

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

Ms. Smith recognized guest John Short, State Representative, 92nd District, and invited him to address the board.

Adjournment

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

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

The meeting adjourned at 10:37 a.m.

PRESIDING OFFICER:



Jean Hale, Chairman