

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING July 25, 2019

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EDT on July 25, 2019, 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, Melinda Hill, proxy for Secretary William M. Landrum, III, Tucker Ballinger and Chad Miller

Staff Present: Tim Back, Jessica Burke, Sarah Butler, Brittany Cox, Martin David-Jacobs, Danielle Dunmire, Michelle Elder, Annie Franklin, Kate Greenwell, David Hamilton, Krista Harrod, Adam Houk, Craig Kelly, Jim Kirk, Zach Lawrence, Brandon Mattingly, Jason Neal, Kylee Palmer, Corky Peek, Erran Persley, Debbie Phillips, Vivek Sarin, Katie Smith and Teresa Spreitzer

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; David Smith and Alex Stafferini, Stoll Keenon Ogden; David Hahn, City of Erlanger; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Bobby Lee, Heaven Hill Distilleries, Inc.; Josh Tubbs, Kentucky Lake Economic Development; Owen McNeill, Maysville-Mason County Industrial Development Authority; Joe Pfeffer, Mason County Judge Executive; Jacob Edmonds, Northern Kentucky Tri-ED; Heather Pierce, Paducah Economic Development; and Matt Zoellner, Scott, Murphy & Daniel

Approval of Minutes

Vice Chairman Goodin entertained a motion to approve the minutes from the June 27, 2019 regular KEDFA board meeting and executive session.

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

Kentucky Business Investment (KBI) Project (Amendment)

Vice Chairman Goodin called on Katie Smith to present a KBI project amendment to the Authority.

El Toro.com, LLC

Jefferson County

Ms. Smith stated El Toro.com, LLC is a developer of unique technology for delivering digital ads to users browsing the Internet. The company received final approval on October 26, 2017 for a project to expand its headquarters in Louisville. Subsequent to the execution of the original Tax Incentive Agreement, the company increased the size and scope of the project and changed the project site to a larger leased facility in Louisville. To encourage the expanded growth and recognize the increased investment from \$2,150,000 to \$11,106,000, staff negotiated the following changes to the project: increased the tax incentive amount from \$1,000,000 to \$7,500,000 including an increase in the annual maximums, increased the job target from 60 to 400 and decreased the wage target from \$35.00 to \$30.00.

The company has not activated the project and requested an amendment to the Tax Incentive Agreement recognizing the changes to the project.

Staff recommended approval of the KBI amendment request.

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

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

Vice Chairman Goodin called on Craig Kelly to present the KEIA extension requests to the Authority.

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

<u>Company</u>	<u>County</u>	<u>Extension</u>
Four Roses Distillery LLC	Anderson	3 Month
International Crankshaft Inc.	Scott	3 Month
Catalent Pharma Solutions, LLC	Clark	6 Month
Fisher Auto Parts	Boone	6 Month
Kobe Aluminum Automotive Products LLC	Warren	6 Month
Kentucky Building Systems, LLC	Daviess	9 Month
Custom Resins, Inc.	Henderson	12 Month
HBC Radiomatic, Inc.	Boone	12 Month
Heritage Millworks LLC	Powell	12 Month
Jim Beam Brands Co.	Bullitt	12 Month

Staff recommended approval of the KEIA extension requests.

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

KEIA Projects

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

Heaven Hill Distilleries, Inc.

Nelson County

Jim Kirk stated Heaven Hill Distilleries, Inc. is the nation's second largest family-owned producer and marketer of distilled spirits. The company is considering an expansion to add a new bourbon barrel aging warehouse to increase its barrel storage capacity and aging operations.

Jim Kirk

Kate Greenwell

Mr. Kirk introduced Bobby Lee and invited him to address the board regarding the project.

Kate Greenwell stated the project investment is \$17,744,172 of which \$9,759,294 qualifies as KEIA eligible costs.

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

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

**Agri-Chem, LLC
Christian County**

**Corky Peek
Michelle Elder**

Corky Peek stated Agri-Chem, LLC is a supplier of agricultural seed, fertilizer and chemicals. To become more competitive and efficient, the company is considering the consolidation of its office, warehouse and fertilizer facilities to one location in Christian County.

Michelle Elder stated the project investment is \$5,212,550 of which \$4,308,050 qualifies as KEIA eligible costs.

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

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

**WKY Development, LLC d/b/a/
Oak Grove Gaming and Racing, LLC
Christian County**

**Corky Peek
Michelle Elder**

Mr. Peek stated WKY Development, LLC was established in 2017 as a partnership between Churchill Downs Incorporated and Keeneland Association, Inc. The company is proposing the construction of a state-of-the-art, live and historical horse racing venue in Oak Grove.

Ms. Elder stated the project investment is \$179,250,000 of which \$104,194,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$1,000,000 for construction materials and building fixtures.

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

**Nucor Steel Gallatin LLC
Gallatin County**

**Brittany Cox
Michelle Elder**

Brittany Cox stated Nucor Steel Gallatin LLC (Nucor), previously Gallatin Steel Company, is located on the Ohio River in Ghent, KY. The mill produces flat-rolled steel products with an annual capacity of approximately 1.8 million tons. Nucor is expanding its operations by adding additional melting capacity as well as expanding the pickle and galvanizing line.

Ms. Elder stated the project investment is \$645,000,000 of which \$28,000,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$1,000,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

Atlas Air, Inc. Kenton County

**Brittany Cox
Debbie Phillips**

Ms. Cox stated Atlas Air, Inc. (Atlas) is a global provider of outsourced aviation services. The company controls the world's largest fleet of freighter aircraft for cargo and passenger operations. Atlas is considering relocating its regional headquarters to Erlanger.

Debbie Phillips stated the project investment is \$34,104,000 of which \$22,524,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 593 with an average hourly wage of \$43.00 including benefits. The state wage assessment participation is 3.00% and Kenton County will participate at 0.25% with the City of Erlanger participating at 0.75%. 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 located at Turfway Road, Florence, KY (approved company and approved affiliate employees) or 150 full-time, Kentucky resident employees (the base employment number required by a previous project with the approved affiliate). The company will be required to maintain 90% of the total statewide, full-time, Kentucky resident employees at all approved company and approved affiliate locations, excluding the site of the project, as of the date of preliminary approval. Only investment costs incurred by the approved company at Viox Drive, Erlanger, KY will be considered toward calculating eligible costs. Only the approved company may participate in the corporate income tax credit incentive (no affiliate is eligible). The job creation/maintenance and wage requirements will be satisfied collectively by the approved company and the affiliate, Southern Air, Inc. The company's affiliate, Southern Air, Inc., will be required to withdraw its project (#18999) from the KBI program prior to final approval of this KBI project. Incentives may only be claimed on employees of the approved company and approved affiliate located at the site of the project – Viox Drive.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$15,000,000.

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

Wolf Steel U.S.A. Inc. Grant County

**Brittany Cox
Debbie Phillips**

Ms. Cox stated Wolf Steel U.S.A. Inc. manufactures fireplaces, stoves, grills and accessories. The company is considering an expansion of its current facility by acquiring additional adjacent land, adding square footage to its manufacturing facility and improvements to its warehouse operations.

Ms. Phillips stated the project investment is \$5,950,000 of which \$3,500,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 30 with an average hourly wage of \$19.00 including benefits. The state wage assessment participation is 3.00% and Grant County Fiscal Court will participate at 1.00%. 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 85 full-time, Kentucky resident employees (the base employment number required by a previous project).

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

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

**PatienTech LLC
Mason County**

**Annie Franklin
Debbie Phillips**

Annie Franklin stated PatienTech LLC develops and markets advanced medical, sleep and sports systems using proprietary and patented smart fabric technology. The company is considering a new manufacturing operation in Maysville.

Ms. Franklin introduced Owen McNeill and Joseph Pfeffer and invited them to address the board regarding the project.

Ms. Phillips stated the project investment is \$1,775,000 of which \$1,425,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$21.94 including benefits. The state wage assessment participation is 5.00%

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

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

**Faneuil, Inc.
Fayette County**

**Jason Neal
Michelle Elder**

Jason Neal stated Faneuil, Inc. provides outsourcing solutions like customer care, staffing, back office operations, as well as eligibility, and enrollment and case management. The company has clients in various industries including municipal, transportation, government healthcare, social programs, utilities and payer, provider and pharma. The project would include leasing a 45,376 square foot call center to meet growing demands.

Ms. Elder stated the project investment is \$12,200,000 of which \$7,200,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 450 with an average hourly wage of \$17.00 including benefits. The state wage assessment participation is 1.50% and the Lexington-Fayette Urban County Government will participate at 0.50%.

After discussion, staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,500,000.

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

**RCCH PMDS, LLC
Scott County**

**Jason Neal
Michelle Elder**

Mr. Neal stated RCCH PMDS, LLC opened in 2004 as a Revenue Cycle Management company and is currently expanding nationwide. The company is considering leasing a 20,000 sq foot building to support the new operational expansion.

Ms. Elder stated the project investment is \$2,946,000 of which \$1,650,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 50 with an average hourly wage of \$20.00 including benefits. The state wage assessment participation is 3.00% and the City of Georgetown will participate at 0.50% with Scott County Fiscal Court

participating at 0.50%. 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 \$175,000.

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

**Dippin' Dots, L.L.C.
McCracken County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Dippin' Dots, L.L.C. was founded in 1988 as a cryogenically frozen ice cream manufacturing company in Paducah. The company has secured a new contract with a meatless burger company and is considering purchasing a 6,000 sq. ft. building and equipment to produce the ingredients for this product.

Ms. Elder stated the project investment is \$3,300,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 28 with an average hourly wage of \$19.00 including benefits. The state wage assessment participation is 5.00%. The company will be required to maintain 90% of the total countywide 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 \$600,000.

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

**Holley Performance Products, Inc.
Warren County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Holley Performance Products, Inc. is a leading manufacturer and marketer of specialty products for the racing and performance segment of the automotive aftermarket. The company needs more warehouse space and is considering relocating to a larger facility in Bowling Green.

Ms. Elder stated the project investment is \$4,915,940 of which \$2,887,970 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 30 with an average hourly wage of \$16.00 including benefits. The state wage assessment participation is 3.00% and the City of Bowling Green will participate at 1.00%. The company will be required to maintain a base employment equal to the sum of all Warren County operations full-time, Kentucky resident employees as of the date of preliminary approval plus the greater of the number of full-time, Kentucky resident employees at the Simpson County facility as of preliminary approval or 50 full-time, Kentucky resident employees (the base employment number required by a previous project). The project will include multiple locations within the City of Bowling Green. Only investment costs incurred at 442 Century Street 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 \$450,000.

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

**Kentucky Bio Science International, LLC
Warren County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Kentucky Bio Science International, LLC is a newly formed company intending to grow, harvest and dry hemp, as well as extract the oils and isolates in-house. The company is considering purchasing and renovating a 181,300 sf property in Bowling Green as well as purchasing lab and processing equipment.

Ms. Elder stated the project investment is \$23,600,000 of which \$9,120,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 46 with an average hourly wage of \$28.00 including benefits. The state wage assessment participation is 3.00% and the City of Bowling Green will participate at 1.00%.

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

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

**MegaFit Meals, LLC
Marshall County**

**Corky Peek
Michelle Elder**

Mr. Peek stated MegaFit Meals, LLC is an USDA certified meal prep company that prepares fresh cooked, healthy meals and ships packages all across the United States. The company is considering constructing a new facility in order to meet the company's rapid growth.

Ms. Elder stated the project investment is \$2,925,000, 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 \$15.00 including benefits. The state wage assessment participation is 5.00%. 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. Ballinger moved to approve the staff recommendation, as presented; Ms. Hill seconded the motion. Motion passed; unanimous.

**Resonate Foods Limited Liability Company
Lyon County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Resonate Foods Limited Liability Company is a grower and processor of hemp. After a successful harvest last year, the company is considering the addition of a craft processing facility which would include greenhouses, industrial dryers and dehumidifiers as well as a processing lab.

Ms. Elder stated the project investment is \$1,620,640, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 16 with an average hourly wage of \$25.00 including benefits. The state wage assessment participation is 5.00%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$375,000.

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

**Taz Trucking, Inc.
Warren County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Taz Trucking, Inc. provides trucking and transportation services to its clients. The company needs to make improvements to its shop and purchase new equipment in order to expand and remain competitive in the trucking industry.

Ms. Elder stated the project investment is \$550,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 27 with an average hourly wage of \$17.00 including benefits. The state wage assessment participation is 3.00% and Warren County will participate at 1.00%. 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.

Ms. Hill moved to approve the staff recommendation, as presented; Mr. Miller 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 five companies requested additional time to complete the projects. Ms. Elder asked that all five be presented as one motion.

Company	County	Extension
Thorntons Inc.	Jefferson	6 Month
Beam Technologies LLC	Boone	12 Month
Jacobs & Thompson Ltd.	Greenup	12 Month
Meredith Machinery, LLC	Jefferson	12 Month
Patriot Brands LLC	Henry	12 Month

Staff recommended approval of the KBI extension requests.

Vice Chairman Goodin 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 final projects to the Authority.

Ms. Phillips stated two companies requested KBI final approval, both of which have modifications since preliminary approval. Ms. Phillips asked that both projects be presented as one motion.

Inplast Industries USA, LLC dba

Plasticon Industries Kentucky, LLC Grayson Manufacturing

The project will no longer include multiple locations. All other aspects of the project remain the same.

Holley Performance Products, Inc. Simpson Manufacturing

The investment increased from \$9,150,000 to \$9,350,000; the eligible costs increased from \$4,950,000 to \$5,350,000; the job target increased from 30 to 50 and the total negotiated tax incentive amount increased from \$600,000 to \$800,000. All other aspects of the project remain the same.

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

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger 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 three Kentucky small businesses, from three counties with qualifying tax credits of \$49,000. The three businesses created 14 jobs and invested \$104,006 in qualifying equipment 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 or Technology	Tax Credit
EEMSCO, Inc.	Henderson	1	1	\$ 30.00	\$ 10,000	\$ 3,500
Motus Freight, LLC	Campbell	8	7	\$ 34.85	\$ 64,153	\$ 24,500
Pinnacle, Inc.	Marshall	40	6	\$ 19.83	\$ 29,853	\$ 21,000

Staff recommended approval of the tax credits.

Ms. Hill moved to approve the staff recommendation, as presented; Mr. Miller 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 June 30, 2019. 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 June 30, 2019.

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 that the following amendment has been executed:

KEIA

Kentucky Owl, LLC

Letter Amendment to the KEIA Tax Incentive Agreement dated October 26, 2017, for Kentucky Owl, LLC, due to a company name change from Strigiformes, LLC, effective as of September 25, 2017.

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

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

Adjournment

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

Mr. Miller moved to adjourn the July 2019 KEDFA board meeting; Mr. Ballinger seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:42 a.m.

**APPROVED
PRESIDING OFFICER:**

A handwritten signature in blue ink, appearing to read "Jean R. Hale", written over a horizontal line.

Jean R. Hale, Chairman