

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING March 28, 2019

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EDT on March 28, 2019, 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 R. Hale, J. Don Goodin, Melinda Hill, proxy for Secretary William M. Landrum, III, Tucker Ballinger, Joe Kelly and Chad Miller

Staff Present: Bobby Aldridge, Tim Back, David Brock, Jessica Burke, Sarah Butler, Brittany Cox, Kimberly Crace, Michelle Elder, Annie Franklin, David Hamilton, Krista Harrod, Jalen Hickman, Jim Kirk, Andy Luttner, Brandon Mattingly, Jason Neal, Kylee Palmer, Erran Persley, Debbie Phillips, Lindsey Ransdell, Katie Smith, Teresa Spreitzer and Lucas Witt

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Jamie Brodsky and Mark Franklin, Stoll Keenon Ogden; Sarah Mixon, Anderson Economic Group, LLC; Randy Culman, Armor USA, Inc.; Christy Spitzer, CHI Saint Joseph Health; Casey Bolton, Commonwealth Economics; Billy Aldridge, Finance & Administration Cabinet, Office of Financial Management; Wesley Holbrook, Lexington-Fayette Urban County Government; Alex Mercer, Louisville Forward; Jeff Witajewski, LSI Kentucky LLC; Stuart Zorn, Northern Kentucky Regional Alliance; Karen Finan and Jennifer Panepinto, Northern Kentucky Tri-ED; Barry Lendrum, Paladin; Jessica Zaigler, Polsinelli PC; Geoffrey Dickinson, SB Freedman Development Advisors; Matt Zoellner, Scott, Murphy & Daniel; and George Ward, University of Kentucky

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the February 28, 2019 regular KEDFA board meeting and executive session.

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

High-Tech Investment Pool (HTP) Project

Chairman Hale called on staff to present a HTP project to the Authority.

Roth River, Inc. Jefferson County

**David Brock
Kylee Palmer**

David Brock stated Roth River, Inc. is a Louisville, KY based technology company developing a tech solution to an age-old problem in the bourbon and spirits industry - accurately predicting yield. The company will do this by providing a comprehensive leading-edge technology solution that will collect, process and analyze data utilizing on-barrel hardware devices and cloud-based machine learning.

Ms. Palmer stated the company is requesting \$100,000 in funds to support and develop its technology in an effort to bring its solution to market. Collateral will be in the form of a personal guarantee and lien on equipment. A dollar for dollar match will be required. Funds will be disbursed on a reimbursement basis after collateral is provided to the Cabinet, the investment begins and matching funds are documented. As of the date of first compliance, December 31, 2020, the company will be required to create and retain 5 new, full-time, Kentucky resident jobs paying an average hourly wage of \$20.00, excluding benefits. The company must maintain the jobs and wages for an additional three (3) years.

Staff and the Executive Director, Office of Entrepreneurship, recommended approval of the grant request.

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

KEDFA Industrial Revenue Bond (IRB) Project (Preliminary)

Chairman Hale called on Debbie Phillips to present a KEDFA IRB preliminary project to the Authority.

CommonSpirit Health

Ms. Phillips referenced in the board material, a KEDFA bond report relating to the issuance of revenue bonds in an aggregate principal amount not to exceed \$135,000,000 on behalf of CommonSpirit Health (formed through the alignment of the ministries of Catholic Health Initiatives and Dignity Health). The bond proceeds will be used to refinance all or a portion of a series of bonds issued by KEDFA in 2009 and/or acquisition finance all or a portion of projects financed and/or refinanced by a series of bonds issued by KEDFA in 2013, all for the prior benefit of Catholic Health Initiatives. The local jurisdictions that may be impacted by the project include Lexington, Bardstown, Mt. Sterling, London and Nicholasville, Kentucky.

A TEFRA hearing for the purpose of receiving public comment on the proposed bond issue will be conducted by staff prior to KEDFA's adoption of a final resolution.

KEDFA's adoption of a final resolution will be contingent on the Cabinet's receipt of referral resolutions from the affected local jurisdictions requesting that KEDFA issue these bonds. KEDFA serves as the conduit issuer of the bonds. The bonds will not constitute a general obligation of KEDFA and KEDFA will not be obligated to pay principal or interest for the bonds from its own funds.

Staff recommended the adoption of the KEDFA inducement bond resolution.

Ms. Phillips introduced Jessica Zaigler and invited her to address the board regarding the IRB.

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

KEDFA Economic Development Bond (EDB) Projects

Chairman Hale called on Michelle Elder to present a proposed EDB project to the Authority.

Novelis Corporation Todd County

Ms. Elder stated Todd County Fiscal Court requested the use of \$750,000 in EDB funds for the benefit of Novelis Corporation. The company is considering locating a manufacturing operation in Guthrie, Kentucky to meet demands from the automotive markets. Ms. Elder stated the project investment is \$304,850,754 and the proposed EDB grant funds will be used to offset the costs associated with this project.

As of the date of first compliance, December 31, 2022, the company will be required to create 100 new, permanent, full-time, Kentucky resident jobs paying an average hourly wage of \$38.50, including benefits. The company must maintain the jobs and wages for an additional four (4) years.

Payment provisions will be included in the grant agreement and will apply if the company fails to make the required investment and create and maintain the jobs and wages by the required compliance dates. In addition, the company will be required to provide a letter of credit, certificate of deposit or other collateral satisfactory to the Cabinet as security for the EDB grant proceeds.

In accordance with KRS 154.12-100, approval of the Cabinet for Economic Development's use of the EDB funds for this project has been received from William M. Landrum, III, Secretary of the Kentucky Finance and Administration Cabinet.

Staff recommended approval of the EDB request.

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

Kentucky Business Investment (KBI) Project (Amendment)

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

Copper & Kings Brandy Company Jefferson County

Mr. Aldridge stated on March 28, 2018, Copper and Kings Brandy Company amended the project due to its merger with Cados, LLC. The terms of the amended agreement inadvertently omitted the inclusion of the company's payroll and employees which is managed through a co-employment relationship with PEO Services, L.P., a Professional Employer Organization. This Second Amended and Restated Agreement rectifies the omission. All other aspects of the project remain the same.

Approval of this amendment is subject to the receipt of the required disclosure statement from PEO Services, L.P.

Staff recommended approval of the KBI amendment request.

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

| Company | County | Extension |
|--|---------------|------------------|
| DCL Fulfillment, Inc. dba DCL Logistics | Jefferson | 3 Month |
| FedEx Ground Package System, Inc. | Boone | 3 Month |
| Heaven Hill Distilleries, Inc. | Jefferson | 6 Month |
| MobileMedTek Holdings, Inc. | Jefferson | 12 Month |
| Stelised, Inc. | Shelby | 12 Month |
| Toyota Tsusho America, Inc. | Scott | 12 Month |
| Whiskey Service LLC | Boyle | 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 Project

Chairman Hale called on staff to present a KEIA project to the Authority.

HB Sealing Products Inc.
Jefferson County

Lindsey Ransdell
Debbie Phillips

Lindsey Ransdell stated HB Sealing Products Inc. is considering locating a new fulfillment center in Louisville. This facility will use advanced automation in product delivery and the installation of sealing lines to meet customer demand.

Ms. Phillips stated the project investment is \$8,250,900 of which \$4,699,620 qualifies as KEIA eligible costs. The approved recovery amount is \$100,000 for research and development and/or electronic processing equipment.

Staff recommended the KEIA approved recovery amount of \$100,000 for research and development and/or electronic processing equipment.

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

KBI and KEIA Project

Chairman Hale called on staff to present a KBI and KEIA project to the Authority.

PACCAR Inc.
Jefferson County

Lucas Witt
Michelle Elder

Lucas Witt stated PACCAR is a global technology leader in the design, manufacture and customer support of heavy, medium and light-duty trucks under the Kenworth, Peterbilt and DAF nameplates. PACCAR also designs and manufactures advanced diesel engines, provides financial services, information technology and distributes truck parts related to its principal business. The company is considering Louisville for its new distribution center.

Mr. Witt introduced Alex Mercer and invited him to address the board regarding the project.

Ms. Elder stated the project investment is \$52,232,500 of which \$41,852,500 qualifies as KBI eligible costs and \$21,649,500 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 80 with an average hourly wage of \$23.50 including benefits. The state wage assessment participation is 1.50% and Louisville/Jefferson County Metro Government will participate at 0.50%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$500,000 and the KEIA approved recovery amount of \$1,000,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

Graf Wood Products, Inc. dba Graf & Thomas Lumber, LLC Lewis County

**Annie Franklin
Michelle Elder**

Annie Franklin stated Graf & Thomas Lumber, LLC, formed in 2017, primarily operates as a purchaser and exporter of Appalachian hardwoods to China and other Asian countries. The company also has contracts with other local lumber mills to produce sawed wood products. Graf Wood Products, Inc. dba Graf & Thomas Lumber, LLC is considering purchasing an existing site, which consists of land, buildings and equipment. In addition to the existing buildings, the company is also considering constructing a new building and equipping it with new and refurbished equipment.

Ms. Elder stated the project investment is \$640,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 12 with an average hourly wage of \$13.45 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 \$180,000.

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

LSI Kentucky LLC Kenton County

**Annie Franklin
Debbie Phillips**

Ms. Franklin stated LSI Kentucky LLC manufactures lighting, graphics and board systems for gas stations, convenience stores, fast food restaurants, car dealerships, retail chain stores and other businesses. The project would include upgrades to its existing facility and the purchase of new equipment.

Ms. Franklin introduced Jeff Witajewski and invited him to address the board regarding the project.

Ms. Phillips stated the project investment is \$573,222, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 22 with an average hourly wage of \$20.28 including benefits. The state wage assessment participation is 1.50% and the City of Independence will participate 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 \$110,000.

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

**Armor USA Inc.
Boone County**

**Andy Luttner
Debbie Phillips**

Andy Luttner stated Armor USA Inc. is a worldwide leader in thermal transfer printing ribbons for printing barcodes, logos, use-by-dates and other variable information onto labels or directly onto flexible packaging. The company is considering an expansion of its current facility in Hebron to increase production capacity, improve product offerings and expand its logistics services to meet growing demands.

Mr. Luttner introduced Randy Culman and invited him to address the board regarding the project.

Ms. Phillips stated the project investment is \$3,301,337 of which \$2,374,035 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 36 with an average hourly wage of \$25.20 including benefits. The state wage assessment participation is 1.50% and Boone County will participate at 0.40%. 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.

**Best Sanitizers, Inc.
Boone County**

**Andy Luttner
Debbie Phillips**

Mr. Luttner stated Best Sanitizers, Inc. manufactures and distributes alcohol-based food grade hand and surface sanitizers, high-level disinfectants and various types of hand soaps and industrial cleaning products for hospitals, laboratories and food processing manufacturing plants. The project would include the acquisition of a second location to expand production capabilities, product lines and consolidate its outsourced production.

Ms. Phillips stated the project investment is \$5,326,602 of which \$3,145,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 36 with an average hourly wage of \$19.44 including benefits. The state wage assessment participation is 1.50% and Boone County will participate at 0.40%.

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 51 full-time, Kentucky resident employees (base employment number required by a previous project). The project will include multiple locations within the City of Walton, Boone County. Only investment costs incurred at 115 Bessmer Lane 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 \$250,000.

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

**Cans Unlimited, Inc.
Montgomery County**

**Andy Luttner
Debbie Phillips**

Mr. Luttner stated Cans Unlimited, Inc. (CUI) is a distributor of a variety of heating products from leading manufacturers. The company sells hearths, grills, outdoor room, and gas equipment products. CUI has outgrown its current facility and is considering a new location in Mt. Sterling.

Ms. Phillips stated the project investment is \$2,134,000 of which \$1,421,500 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 15 with an average hourly wage of \$22.80 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 \$200,000.

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

**Piston Automotive LLC
Jefferson County**

**Andy Luttner
Debbie Phillips**

Mr. Luttner stated Piston Automotive LLC, a world-class assembly supplier for America's top manufacturers, opened its Louisville-based operations in 2011. The company is considering adding a new production line and increasing its assembly operation to support new market demand.

Ms. Phillips stated the project investment is \$1,500,000 of which \$1,000,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 50 with an average hourly wage of \$22.06 including benefits. The state wage assessment participation is 1.50% and the City of Jeffersontown will participate at 0.222% with Louisville/Jefferson County Metro Government participating at 0.278%. 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 51 full-time, Kentucky resident employees (base employment number required by a previous project). 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 \$700,000.

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

| <u>Company</u> | <u>County</u> | <u>Extension</u> |
|--------------------------------|---------------|------------------|
| Catalent Pharma Solutions, LLC | Clark | 6 Month |
| Rajant Corporation | Rowan | 6 Month |
| Toyotetsu America, Inc. | Pulaski | 6 Month |
| AquiSense Technologies LLC | Boone | 12 Month |
| Kentucky Fresh Harvest, LLC | Lincoln | 12 Month |

Staff recommended approval of the KBI extension requests.

Mr. Ballinger 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 four companies requested KBI final approval and asked that all four be presented as one motion.

No Modifications:

| <u>Project Name</u> | <u>County</u> | <u>Type Project</u> |
|---|---------------|----------------------|
| Blue Grass Stockyards, LLC | Fayette | Service & Technology |
| Lighthouse Transportation Services, LLC | Kenton | Service & Technology |
| Logan Aluminum Inc. | Logan | Manufacturing |
| Steel Ventures Incorporated | Greenup | Manufacturing |

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

Mr. Goodin moved to approve the staff recommendation, as presented; Ms. Hill 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.

Rane Precision Die Casting, Inc.

Logan County

Ms. Elder stated Rane Precision Die Casting, Inc. requested final approval. There were no modifications to the project since preliminary approval.

The company currently has 184 full-time employees and has expended \$4,039,955 in equipment and related costs of which \$2,019,978 are eligible costs. Rane Precision Die Casting, Inc. is eligible to receive the \$1,200,000 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. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

Incentive for Energy Independence Act (IEIA) Project (Extension)

Chairman Hale called on Ms. Palmer to present an IEIA extension request to the Authority.

Cetna Energy, LLC

Boyd County

Ms. Palmer stated Cetna Energy, LLC requested a 12-month extension of its IEIA project.

Staff recommended approval of the IEIA extension request to March 31, 2020.

Mr. Goodin moved to approve the staff recommendation, as presented; Ms. Hill 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 seven Kentucky small businesses from six counties with qualifying tax credits of \$80,000. The seven businesses created 24 jobs and invested \$131,993 in qualifying equipment and/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 and/or Technology</u> | <u>Tax Credit</u> |
|--|---------------|------------------|-------------------|----------------------------|---|-------------------|
| Cuddle Clones LLC | Jefferson | 7 | 1 | \$ 36.06 | \$ 5,693 | \$ 3,500 |
| JayMase Construction, LLC | Madison | 7 | 3 | \$ 11.33 | \$ 10,500 | \$ 10,500 |
| M & M Decorating LLC | McCracken | 17 | 2 | \$ 13.25 | \$ 18,990 | \$ 7,000 |
| Mightily, LLC | Jefferson | 11 | 6 | \$ 27.24 | \$ 20,002 | \$ 20,000 |
| Robinson, Hughes & Christopher, P.S.C. | Boyle | 16 | 1 | \$ 19.50 | \$ 6,829 | \$ 3,500 |
| Sisk Nissan, LLC | Christian | 25 | 8 | \$ 23.65 | \$ 57,455 | \$ 25,000 |
| West Sixth Brewing Company, LLC | Fayette | 26 | 3 | \$ 15.83 | \$ 12,524 | \$ 10,500 |

Staff recommended approval of the tax credits.

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

Other Business

Resolution of Recognition

Chairman Hale read and presented a Resolution of Recognition to Joseph W. Kelly, who will resign from the board with over 6 years of dedicated service to KEDFA and the people of the Commonwealth.

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

Cabinet Personnel

Katie Smith introduced Erran Persley, the newly appointed Commissioner of the Department for Business Development and invited him to address the board. Mr. Persley introduced three new Business Development Project Managers, Brittany Cox, Jim Kirk and Jason Neal.

Video

Ms. Smith shared a video provided by Nucor Corporation showcasing its Kentucky based facilities.

Executive Session

Pursuant to KRS Section 61.810 (1) (G), Chairman Hale entertained a motion to enter into executive session to discuss a specific business proposal, the open discussion of which would jeopardize the site, retention, expansion or upgrade of the business.

Ms. Hill moved to enter into executive session; Mr. Miller seconded the motion. Motion passed; unanimous.

The board entered into executive session at 10:44 a.m.

Regular Session

Chairman Hale entertained a motion to return to regular session.

Ms. Hill moved to return to regular session; Mr. Miller seconded the motion. Motion passed; unanimous.

The board returned to regular session 11:13 a.m.


Adjournment

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

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

The meeting adjourned at 11:14 a.m.

**APPROVED
PRESIDING OFFICER:**



Jean R. Hale, Chairman