

# KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

## SPECIAL BOARD MEETING

September 24, 2020

### MINUTES

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#### Call to Order

Due to the state of emergency declared by Governor Beshear via Executive Order 2020-15 regarding COVID-19, all previously announced in-person meetings involving the Kentucky Cabinet for Economic Development scheduled in September were cancelled. In accordance with the provision of KRS 61.823, a special meeting of the Kentucky Economic Development Finance Authority (KEDFA) was called for 10:00 a.m. (EDT) September 24, 2020 via video teleconference at the following link <https://us02web.zoom.us/j/86775946845> to consider all projects. KEDFA convened at 10:00 a.m. EDT on September 24, 2020.

#### Notification of Press

Jean R. Hale, Chairman, received verification that the media had been notified of the KEDFA special board meeting.

#### Roll Call

Jean R. Hale, J. Don Goodin, Winston Miller, proxy for Secretary Holly M. Johnson, Tucker Ballinger, Chad Miller, Mike Cowles and Naashom Marx

**Staff Present:** Tim Back, Elizabeth Bishop, Beka Burton, Sarah Butler, Brittany Cox, Martin David-Jacobs, Rachael Dever, Lisa Duvall, Michelle Elder, Tony Ellis, Ellen Felix, Annie Franklin, David Hamilton, Krista Harrod, James Johnson, Craig Kelly, Andy Luttner, Brandon Mattingly, Kate McCane, Craig McKinney, Kylee Palmer, Debbie Phillips, Ellie Puckett, Charlie Rowland, Jenny Schenkenfelder, Kristina Slattery, Katie Smith, Teresa Spreitzer, Jeff Taylor and Steve Vest

**Others Present:** Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Darrell Keeling and Jennifer Zimmerman, AHF, LLC dba AHF Products; Beverly Mattingly, American Fuji Seal, Inc.; Chad Donovan, Chapin International, Inc.; Josh Brah, City of Mount Vernon; George Ward, Coldstream Research Campus; James Parsons, Keating Meuthing & Klekamp, PLLC; Billy Aldridge and Ryan Barrow, Kentucky Finance and Administration Cabinet, Office of Financial Management; Sierra Enlow, McGuire Sponsel; Todd Hamilton, MCM CPAs & Advisors; Howell Holbrook, Rockcastle County Fiscal Court; Corey Craig and Jeff VanHook, Rockcastle County Industrial Development Authority; Matt Zoellner, Scott Murphy & Daniel, LLC; Jill Giles, The Kroger Co., and Tim Hensley

#### Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the August 27, 2020 special 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**

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.

### **Economic Development Fund (EDF) Project**

Chairman Hale called on staff to present an EDF project to the Authority.

#### **University of Kentucky Coldstream Research Campus Fayette County**

**Brittany Cox  
Debbie Phillips**

Brittany Cox stated the University of Kentucky Coldstream Research Campus serves as the gateway to Lexington's high-tech, higher education corridor. Coldstream proposes the construction of a 40,000 square foot office and laboratory building via a P3 Developer. The EDF will be used to upfit 10,000 square feet of laboratory space with the vertical construction expenditures serving as the match.

This is a Product Development Initiative project recommended for approval under the EDF program. The project was identified by an independent site selection consultant contracted by the Kentucky Association for Economic Development as having the potential for future investment/location of an economic development project.

Ms. Cox introduced George Ward and invited him to address the board regarding the project.

Debbie Phillips stated Lexington-Fayette Urban County Government requested the use of \$500,000 in EDF program funds for the benefit of the University of Kentucky Coldstream Research Campus. The project investment is \$14,500,000, and the proposed EDF grant funds will be used to offset the costs associated with this project.

In accordance with KRS 154.12-100, KEDFA's approval of this EDF grant is subject to CED's receipt of the Secretary of the Kentucky Finance and Administration Cabinet's concurrence to CED's use of the EDF for this project. Ms. Phillips stated the Secretary's concurrence had been received.

Staff recommended approval of the EDF request.

J. Don Goodin moved to approve the staff recommendation, as presented; Naashom Marx seconded the motion. Motion passed; unanimous.

### **Kentucky Business Investment (KBI) Project (Amendment)**

Chairman Hale called on Rachael Dever to present a KBI project amendment to the Authority.

#### **Ferrara Candy Company Boone County**

Ms. Dever stated the KBI project approved for Keebler Company was transferred to affiliates of the Ferrero International S.A. corporate group in accordance with a Stock and Asset Purchase Agreement with Keebler's parent, Kellogg Company. In order to complete the assignment of the project to the new ownership, Keebler is requesting approval for the execution of an Amended and Restated Tax Incentive Agreement with Ferrara Candy

Company, the new approved company, made retroactively effective to July 28, 2019, which is the effective date of the transfer. All other aspects of the agreement 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)**

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

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

<b><u>Company</u></b>	<b><u>County</u></b>	<b><u>Extension</u></b>
<b>Orbis Material Handling, Inc.</b>	Nelson	3 Month
<b>Lux Row Distillers, LLC</b>	Nelson	4 Month
<b>MobileMedTek Holdings, Inc.</b>	Jefferson	6 Month
<b>Strong Tower Construction LLC</b>	Jefferson	12 Month

Staff recommended approval of the KEIA extension requests.

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

### **KEIA Projects**

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

#### **AHF, LLC dba AHF Products Pulaski County**

**Beka Burton  
Kate McCane**

Beka Burton stated AHF, LLC dba AHF Products is the former Armstrong Hardwood Flooring Company formed in 1946. The company opened the hardwood flooring plant in Somerset in 1990 and manufactures rotary engineered hardwood flooring. The company is considering an expansion at this plant for a new, proprietary hardwood flooring marketed to pet owners.

Ms. Burton introduced Darrell Keeling and Jennifer Zimmerman and invited them to address the board regarding the project.

Kate McCane stated the project investment is \$2,509,916 of which \$2,005,646 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$80,000 for construction materials and building fixtures.

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

#### **Contemporary Amperex Technology Kentucky LLC Barren County**

**Andy Luttner  
Debbie Phillips**

Andy Luttner stated Contemporary Amperex Technology Kentucky LLC is a subsidiary of Contemporary Amperex Technology Co., Limited, a global leader in the research and development and manufacturing of lithium-ion batteries. The company is considering establishing a facility in Glasgow.

Ms. Phillips stated the project investment is \$97,726,571 of which \$23,042,914 qualifies as KEIA eligible costs. The approved recovery amount is \$500,000 for construction materials and building fixtures and \$500,000 for research and development and/or electronic processing equipment.

Staff recommended the KEIA approved recovery amount of \$1,000,000.

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

**Bluegrass Distillers, LLC  
Woodford County**

**Annie Franklin  
Michelle Elder**

Annie Franklin stated Bluegrass Distillers, LLC is considering a historic property in Midway for its new distillery and barrel warehouses. The project would include a combination of restoration and construction of new buildings. The company is considering restoring the main house and repurposing existing barns on the property.

Michelle Elder stated the project investment is \$3,100,000 of which \$851,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$50,000 for construction materials and building fixtures.

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

**Lux Row Distillers LLC  
Nelson County**

**Annie Franklin  
Michelle Elder**

Ms. Franklin stated Lux Row Distillers LLC is considering the construction of additional storage facilities for bourbon whiskeys and other products on its current property. The rickhouses will be attractively designed and provide much needed storage capacity.

Ms. Elder stated the project investment is \$10,814,592 of which \$6,101,827 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$150,000 for construction materials and building fixtures.

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

**KBI (Preliminary) and KEIA Projects**

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

**Pitman Creek Wholesale, LLC  
Lincoln County**

**Annie Franklin  
Michelle Elder**

Ms. Franklin stated Pitman Creek Wholesale, LLC started in 1976 in Somerset as a regional distributor of fishing tackle servicing local retail stores and marinas. Due to continued growth, the company is considering a location in Stanford to meet customer demand.

Ms. Elder stated the project investment is \$13,500,000, all of which qualifies as KBI eligible costs and \$7,000,000 qualifies as KEIA eligible costs. The highest job target over the term of

the agreement is 48 with an average hourly wage of \$13.50 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. 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 \$750,000 and the KEIA approved recovery amount of \$250,000 for construction materials and building fixtures.

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

**Chapin International, Inc.  
Rockcastle County**

**Beka Burton  
Kate McCane**

Ms. Burton stated Chapin International, Inc. manufactures and sells hand operated sprayers and spreaders for residential and commercial use, wild animal feeding products and custom blow molding services. The company is considering a new facility in Rockcastle to expand its operations further south.

Ms. Burton introduced Chad Donovan, Howell Holbrook and Jeff VanHook and invited them to address the board regarding the project.

Ms. McCane stated the project investment is \$5,495,000, all of which qualifies as KBI eligible costs and \$1,770,000 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$22.40 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 and the KEIA approved recovery amount of \$100,000 for construction materials and building fixtures.

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

**KBI Projects (Preliminary)**

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

**American Fuji Seal, Inc.  
Nelson County**

**Martin David-Jacobs  
Kate McCane**

Martin David-Jacobs stated American Fuji Seal, Inc. is part of the Fuji Seal International packaging company headquartered in Osaka, Japan. The company is a world leader in supplying shrink sleeve labeling solutions to the beverage and household industry. The company is considering expanding the existing printing operations and converting operations at the Bardstown facility.

Mr. David-Jacobs introduced Beverly Mattingly and invited her to address the board regarding the project.

Ms. McCane stated the project investment is \$10,500,000 of which \$1,600,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 25 with an average hourly wage of \$34.44 including benefits. The state wage assessment participation is

1.50% and the City of Bardstown will participate at 0.50%. 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 492 full-time, Kentucky resident employees (the base employment number required by previous project #19029).

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$320,000.

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

**Kroger Limited Partnership I  
dba Kroger Specialty Pharmacy Central Fill  
Jefferson County**

**Martin David-Jacobs  
Kate McCane**

Mr. David-Jacobs stated The Kroger Co. operates 2,758 grocery retail stores, 35 food production or manufacturing facilities producing high quality private-label products, 1,560 supermarket fuel centers and 2,268 pharmacies. Kroger Limited Partnership I dba Kroger Specialty Pharmacy Central Fill is seeking to relocate and expand its Jefferson county pharmacy prescription central filing service area with upgraded automation to increase prescription refill volume.

Mr. David-Jacobs introduced Jill Giles and invited her to address the board regarding the project.

Ms. McCane stated the project investment is \$24,000,000 of which \$6,970,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 61 with an average hourly wage of \$20.00 including benefits. The state wage assessment participation is 1.50% and Louisville/Jefferson County Metro Government 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. The company will be required to maintain 90% of the total statewide full-time, Kentucky resident employees at all company and affiliate locations, excluding the site of the project and all retail locations, as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$400,000.

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

**Busche Industries Co dba Xtreme Fabrication  
Grayson County**

**Andy Luttner  
Michelle Elder**

Mr. Luttner stated Xtreme Fabrication, established in 2007, is a metal fabrication and machine shop producing specialty parts for manufacturers across the country. The company is considering a building expansion at its current location as well as the addition of a CNC plasma cutting machine along with traditional CNC machining equipment.

Ms. Elder stated the project investment is \$450,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 25 with an average hourly wage of \$29.00 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 \$300,000.

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

<b><u>Company</u></b>	<b><u>County</u></b>	<b><u>Extension</u></b>
<b>Camtech Manufacturing Solutions, LLC</b>	Pulaski	12 Month
<b>CLARK Material Handling Company</b>	Fayette	12 Month
<b>Froedge Machine and Supply Co., Inc.</b>	Barren	12 Month
<b>Premier Packaging, LLC</b>	Jefferson	12 Month
<b>Sazerac North America, Inc.</b>	Jefferson	12 Month
<b>Strigiformes, LLC</b>	Nelson	12 Month
<b>Taeyang America Corp.</b>	Simpson	12 Month
<b>Tier 3 Technologies, LLC</b>	Jefferson	12 Month
<b>UPS Supply Chain Solutions, Inc.</b>	Jefferson	12 Month
<b>Xooker, LLC</b>	Fayette	12 Month

Staff recommended approval of the KBI extension requests.

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

### **KBI Projects (Final)**

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

Ms. Phillips stated one company requested KBI final approval with modifications since preliminary approval.

<b>Stratus Plastics KY, LLC</b>	Butler	Manufacturing
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The total investment and eligible costs increased from \$4,000,000 to \$20,500,000; the job target increased from 29 to 135; the average hourly wage target increased from \$18.00 to \$23.00; and the total negotiated tax incentive amount increased from \$480,000 to \$2,235,000. All other aspects of the project remain the same.

Staff recommended final approval of the KBI resolution and tax incentive 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 Reinvestment Act (KRA) Project (Preliminary)**

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

**Tarter Gate Company, LLC**  
**dba Tarter Farm and Ranch Equipment**  
**Casey County**

**Beka Burton**  
**Kate McCane**

Ms. Burton stated Tarter Gate Company, LLC is one of the largest manufacturers of farm gates and animal management equipment in North America with operations in Kentucky, Utah and Indiana. Product demand has reached unparalleled levels and the Dunnville facility needs to invest significant capital in order to meet the growing demands of its customers.

The manufacturing plant is currently operating at full capacity. Thus, for growth purposes, the facility will need to be renovated and expanded to accommodate additional manufacturing equipment. The proposed project would include two expansions to implement a robotic welding system, ColorMax 2 powder spray system to the paint operation, adding machines to manufacture needed hardware internally, installing overhead cranes and load lot expansion with new loading docks. The company is hopeful the project will be complete by the summer of 2021. With the acquisition of robotics, implementation of state-of-the-art equipment and construction of additional manufacturing and store space, the company will increase production, minimize facility downtime, improve safety and decrease dependency on laborers.

The company states the proposed investment in the facility will enhance and expand the output and allow continued growth by increasing the capacity, efficiency and productivity and retain the existing full-time jobs. The company states the reinvestment would not be economically feasible, if not for the KRA incentives.

Ms. McCane stated the project investment is \$7,489,690 of which \$3,744,845 qualifies as KRA eligible costs. The job retention requirement over the term of the agreement is 95% of the number of full-time jobs at the project location as of preliminary approval. The company will be required to withdraw from its previously approved KREDA project #14730.

Staff recommended preliminary approval of the KRA negotiated tax incentive amount of \$1,500,000.

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 five Kentucky small businesses, from four counties with qualifying tax credits of \$83,800. The five businesses created 24 jobs and invested \$125,380 in qualifying equipment and/or technology.

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

<b>Qualified Small Business</b>	<b>County</b>	<b>Beg. Emp.</b>	<b>Elig. Pos.</b>	<b>Average Hourly Wage</b>	<b>Qualifying Equipment or Technology</b>	<b>Tax Credit</b>
<b>Bio-Medical Equipment Service Company</b>	Jefferson	17	7	\$ 22.48	\$ 25,123	\$ 24,500
<b>Bluegrass Tool &amp; Industrial, LLC</b>	Fayette	23	6	\$ 24.52	\$ 20,850	\$ 20,800
<b>Collier Electrical Service, Inc.</b>	Marshall	24	5	\$ 27.11	\$ 29,674	\$ 17,500
<b>Don Franklin Pulaski Inc.</b>	Pulaski	41	5	\$ 17.75	\$ 43,955	\$ 17,500
<b>Sparta Mortgage LLC</b>	Jefferson	0	1	\$ 14.42	\$ 5,778	\$ 3,500

Staff recommended approval of the tax credits.

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

## Kentucky Selling Farmer Tax Credit (KSFTC) Project

Chairman Hale called on Mr. Back to present a KSFTC project to the Authority.

Mr. Back stated there is one Kentucky selling farmer who sold qualifying agricultural assets to an eligible beginning farmer. The Kentucky selling farmer is qualified to receive the tax credit.

<u>Selling Farmer</u>	<u>County</u>	<u>Qualifying Agricultural Assets</u>	<u>Tax Credit</u>
Kylen Douglas and Shannon Douglas	Henry	\$ 275,000	\$ 13,750

Staff recommended approval of the tax credit.

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

## Other Business

### Kentucky Angel Investment Act Guidelines Changes

Chairman Hale called on Mr. Back to present the Kentucky Angel Investment Act Guidelines Changes to the Authority.

House Bill 491, passed during the 2020 general legislative session and signed by Governor Beshear on April 2, 2020, made the following four changes to statutes governing the Kentucky Angel Investment Act program:

1. Reduced the investor tax credit amount for investments made in Kentucky small businesses located in enhanced incentive counties from fifty percent to forty percent of the eligible investment amount;
2. Reduced the investor tax credit amount for investments made in Kentucky small businesses located outside enhanced incentive counties from forty percent to twenty-five percent of the eligible investment amount;
3. Changed the "closely related" definition from "parent, spouse, or child" to "parents or grandparents, children or their spouses, or siblings or their spouses" to match the "closely-related" definition used in the Selling Farmer Tax Credit program;
4. Added wording to clarify that if a small business receiving eligible investments becomes insolvent, ceases operations and submits an acceptable report attesting to its status, tax credits claimed prior to shutdown will not be subject to recapture, but awarded credits not claimed as of the date the business became insolvent and ceased operations will be considered expired and not eligible for claiming.

In addition, staff proposed to increase the Qualified Investment application fee from \$250 to the following tiered fee schedule: \$500 for applications requesting up to \$50,000 in tax credits, and \$1,000 for applications requesting more than \$50,000 in tax credits. These proposed changes have been incorporated into the revised Guidelines.

Staff recommended approval of the revised Kentucky Angel Investment Act Guidelines.

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

**Audit Report & Auditor’s Communication**

Ms. Smith introduced Todd Hamilton, MCM CPAs & Advisors, and invited him to review the audited Financial Statements for the years ending June 30, 2020 and 2019 and the Auditor’s Communication for year ended June 30, 2020.

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, 2020.

After review, the Authority accepted the report as presented.

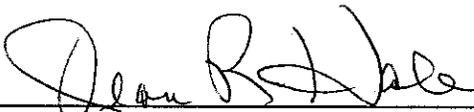
**Adjournment**

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

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

The meeting adjourned at 11:29 a.m.

**APPROVED  
PRESIDING OFFICER:**

  
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Jean R. Hale, Chairman