

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING

March 30, 2017

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EDT on March 30, 2017, 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, Edwin King, Proxy for Secretary William M. Landrum, III, Joe Kelly and Mike Vogt

Staff Present: Bobby Aldridge, Tim Back, John Bevington, Anna Beth Bobbitt, Lynda Cunningham, Michelle Elder, Alec Germond, Reid Glass, Craig Kelly, Brandon Mattingly, Kylee Palmer, Corky Peek, Debbie Phillips, Kristina Slattery, Katie Smith and Teresa Spreitzer

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Mark Franklin and Alex Stafferini, Stoll Keenon Ogden; Ward Begley, Owensboro Health, Inc.; Megan Rudd, Chapman & Cutler LLP; Sierra Enlow, Louisville Forward; Steve Landis, Schwan's Food Co.; Jessica Zeiger, Polsinelli Shughart PC and Jim Wentz, KentuckyOne Health

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the February 23, 2017 regular KEDFA board meeting.

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

Approved/Undisbursed Loan Report

Chairman Hale called on Kylee Palmer to review the approved/undisbursed loan report.

After review, the Authority accepted the report as presented.

Financial Statements and Monitoring Reports

Chairman Hale called on Katie Smith to review the financial statements and monthly monitoring reports as of February 28, 2017.

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

KEDFA IRB Project (Resolution)

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

Catholic Health Initiatives

Ms. Phillips referenced in the board material a copy of a draft board resolution relating to the proposed remarketing of tax-exempt revenue bonds previously issued by KEDFA in October 2004 for the benefit of Catholic Health Initiatives. The board resolution authorizes the execution and delivery of a Second Supplemental Bond Trust Indenture allowing the conversion of the interest rate mode for the 2004C bonds from a floating variable rate to a fixed rate applicable to interest periods greater than one year.

KEDFA is a conduit financier in the transaction, therefore, the bonds will not constitute a general obligation of KEDFA and will not be payable from KEDFA's own funds.

Staff recommended the adoption of the KEDFA IRB Resolution.

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

KEDFA IRB Project (Final)

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

Owensboro Health, Inc.

Daviess County

Ms. Phillips referenced in the board material a draft KEDFA bond issue report relating to KEDFA's proposed issuance of revenue refunding bonds in an amount not to exceed \$550,000,000 on behalf of Owensboro Health, Inc. The bond proceeds will be used to advance refund the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds Series 2010A and Hospital Revenue Refunding Bonds Series 2010B for Owensboro Medical Health System, Inc. The City of Owensboro adopted a resolution requesting KEDFA issue these bonds.

A TEFRA hearing for the purpose of receiving public comment on the proposed bond issue was conducted at 9:00 a.m., March 30, 2017 at the Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, with no public comment.

If the financing is approved, KEDFA would serve as the conduit issuer of the bonds. The bonds would not constitute a general obligation of KEDFA and KEDFA would not be obligated to pay principal or interest for the bonds from its own funds.

Staff recommended the adoption of the KEDFA final bond resolution.

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

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

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

Mr. Kelly stated seven (7) companies requested additional time to complete the projects and asked that all 7 be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Aleris Rolled Products Manufacturing, Inc.	Hancock	1 Month
Thai Summit Kentucky Corporation	Nelson	4 Month
Denyo Corporation	Boyle	9 Month
Zoeller Company (Retroactive to January 31, 2017)	Jefferson	10 Month
Brown-Forman Corporation	Woodford	12 Month
J.M. Smuckers, LLC	Allen	12 Month
Michter's Distillery, LLC	Jefferson	12 Month

Staff recommended approval of extension requests.

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

KEIA Project

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

Novelis Corporation
Madison County

Anna Beth Bobbitt
Lynda Cunningham

Anna Beth Bobbitt stated Novelis Corporation melts down used beverage cans and other recycled aluminum scrap to produce ingots to use in the production of new aluminum cans. Approximately 20 percent of all aluminum cans recycled in the United States are sent to this facility. In order to increase the production capacity of the plant by 50,000,000 pounds per year, the company needs to invest in additional equipment and make facility improvements to handle the additional material volumes.

Lynda Cunningham stated the project investment is \$2,335,000 of which \$1,280,000 qualifies as KEIA eligible costs.

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

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

KBI Projects (Preliminary)

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

Tower Automotive Operations USA I, LLC
Bullitt County

Anna Beth Bobbitt
Lynda Cunningham

Ms. Bobbitt stated Tower International is a leading integrated global manufacturer of engineered structural metal components and assemblies. Tower Automotive Operations USA I, LLC is a wholly-owned subsidiary of Tower International and supplies the automotive industry with body-structure stampings, frames and other complex welded assemblies for automobiles. The company has been awarded a new program to manufacture automotive structural components for sport utility vehicles and is considering the expansion of its Shepherdsville facility to accommodate for the growth.

Ms. Cunningham stated the project investment is \$19,900,000 of which \$5,000,000 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 35 with average hourly wages of \$32.00 including benefits. The state wage assessment participation is 3.0% and the City of Shepherdsville will participate at 1.0%. The company will be required

to maintain a base employment equal to the greater of the number of full-time, Kentucky resident employees as of the date of preliminary approval or 78 full-time, Kentucky resident employees. 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. The company acknowledges that the Project is to be located in a county currently certified as an enhanced incentive county, and further acknowledges that it does not wish to proceed under the KBI program provisions applicable to such projects, and instead, waives the enhanced county benefits.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$600,000.

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

**Tower Automotive Operations USA I, LLC
Nelson County**

**Anna Beth Bobbitt
Lynda Cunningham**

Ms. Bobbitt stated Tower International is a leading integrated global manufacturer of engineered structural metal components and assemblies. Tower Automotive Operations USA I, LLC is a wholly-owned subsidiary of Tower International and supplies the automotive industry with body-structure stampings, frames and other complex welded assemblies for automobiles. The company has been awarded a new program for stamping and welding subassemblies for sport utility vehicles and passenger cars. The company is considering an investment in new equipment at the Bardstown facility to accommodate the program.

Ms. Cunningham stated the project investment is \$29,422,907 of which \$1,281,733 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 25 with average hourly wages of \$32.00 including benefits. The state wage assessment participation is 3.0% and Nelson County will participate at 0.5% with the City of Bardstown participating 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. 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. The project will include multiple locations within Nelson County/Bardstown. Only investment costs incurred at 850 Withrow, Bardstown, Kentucky 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. The company acknowledges that the Project is to be located in a county currently certified as an enhanced incentive county, and further acknowledges that it does not wish to proceed under the KBI program provisions applicable to such projects, and instead waives the enhanced county benefits. The company will also be required to withdraw from the KREDA program prior to final approval of this KBI project.

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

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

**Maxim Crane Works, LP
Campbell County**

**Alec Germond
Lynda Cunningham**

Alec Germond stated Maxim Crane Works, LP is the largest coast-to-coast provider of crane rental and lifting services in the United States. The company has 48 locations across the

country and provides services in all 50 states. In order to accommodate its current and projected nationwide growth, the company is proposing to construct an additional 17,000 square foot building to house executives and administrative staff.

Ms. Cunningham stated the project investment is \$4,710,000 of which \$3,180,000 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 100 with average hourly wages of \$69.00 including benefits. The state wage assessment participation is 3.0% and the City of Wilder 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 company will be required to maintain 85% 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 \$2,000,000.

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

**Perfetti van Melle USA Inc.
Boone County**

**Alec Germond
Lynda Cunningham**

Mr. Germond stated Perfetti van Melle USA opened for business in 1984 in Boone County as a confectionary manufacturing, sales and USA HQ operation as part of the larger global Perfetti van Melle (PVM) entity headquartered in Amsterdam. PVM USA is one of the 5 largest non-chocolate confectionary companies in the world. In response to the market demand and to better serve its customers, the company is proposing the expansion of its manufacturing/packaging capacity by nearly 50%.

Ms. Cunningham stated the project investment is \$11,000,000 of which \$2,500,000 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 50 with average hourly wages of \$32.00 including benefits. The state wage assessment participation is 1.5% and Boone County will participate at 0.4%. 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 \$500,000.

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

**UACJ Automotive Whitehall Industries, Inc.
McCracken County**

**Corky Peek
Michelle Elder**

Corky Peek stated UACJ Automotive Whitehall Industries, Inc. formally SRS Industries (dba Whitehall Industries) is a manufacturer of precision aluminum parts for the automotive industry and has been an employer in Paducah for the past 3 years. The company was purchased in April 2016 by UACJ Corporation, one of the largest aluminum suppliers in the world. Since the change of ownership, UACJ Corporation has been awarded several new programs and is considering these programs be moved to its Kentucky plant over the next few years.

Ms. Elder stated the project investment is \$3,326,500 of which \$2,326,500 qualifies as KBI eligible costs. The highest jobs target over the term of the agreement is 50 with average hourly wages of \$17.00 including benefits. The state wage assessment participation is 3.0%

and the City of Paducah will participate at 1.0% for five (5) years. 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 \$500,000.

Mr. Kelly moved to approve the staff recommendation, as presented; Mr. Vogt 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 seven (7) companies requested additional time to complete the projects and asked that all 7 be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
J & T Munitions, Inc. dba J & T Distributing	Clark	3 Month
Midea American Corporation	Jefferson	6 Month
Atlas Development Group, LLC	Hardin	12 Month
Frost-Arnett Company	Taylor	12 Month
Kowa Kogyo-sho Co., Ltd.	Knox	12 Month
Rajant Corporation	Rowan	12 Month
StrikerBilt LLC	Muhlenberg	12 Month

Staff recommended approval of the KBI extension requests.

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

KBI Projects (Final)

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

Ms. Phillips stated six (6) companies requested KBI final approval, two of which have modifications since preliminary approval. Ms. Phillips asked that all 6 be presented as one motion.

KBI finals without modifications since preliminary approval:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
Against The Grain LLC	Jefferson	Manufacturing
Borden Dairy Company of Kentucky, LLC	Laurel	Manufacturing
Total Quality Logistics, LLC	Boone	Service & Technology
Total Quality Logistics, LLC	Jefferson	Service & Technology

KBI finals with modifications since preliminary approval:

Faurecia Automotive Seating LLC Shelby Manufacturing
Investment costs decreased from \$18,749,550 to \$13,673,755 and eligible costs decreased from \$9,595,775 to \$7,057,888 due to an incorrect calculation on rent at preliminary approval. All other aspects of the project remain the same.

Life Safety Services, LLC

Jefferson

Headquarters

The company requested the addition of affiliates, Hughes Environmental and LSS Holdings LLC, to the project. The project changed from an owned project to a leased project with no rent included in the eligible costs. The total investment increased from \$1,325,000 to \$3,097,955; the eligible costs decreased from \$1,325,000 to \$922,698; the job target increased from 20 to 80 and the total negotiated tax incentive amount increased from \$400,000 to \$1,000,000. All other aspects of the project remain the same.

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

Mr. Vogt moved to approve the staff recommendation, as presented; Mr. Kelly 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.

**SFC Global Supply Chain, Inc.
Boone County**

**Kristina Slattery
Debbie Phillips**

Kristina Slattery stated SFC Global Supply Chain, Inc. (SFC) is a manufacturer of frozen food products that are sold both in the United States and internationally. The plant in Boone County is operational, however, it is in need of new equipment in order to be more efficient and productive. The reinvestment in the facility is necessary to replace some aging equipment, to be able to increase manufacturing capacity and to add capabilities to its production line. This will also allow the company to make different types of products in less time, with less waste. These improvements in capacity and capabilities will allow for growth in the products SFC offers its customers and enhance the long-term viability of its Kentucky plant. The company has an aggressive timeline and hopes to be completed with this project by April 2018.

Ms. Slattery introduced Steve Landis, Senior Director of Manufacturing, Schwan's Food Co., and invited him to address the board regarding the project and answer any questions the board may have.

Ms. Phillips stated the project investment is \$33,967,987 of which \$16,983,994 qualifies as KRA eligible costs. The job retention requirement over the term of the agreement is 85% of the number of full-time jobs at the project location as of preliminary approval.

Staff recommended preliminary approval of the KRA negotiated tax incentive amount of \$2,500,000.

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

**TG Automotive Sealing Kentucky, LLC
Christian County**

**Corky Peek
Michelle Elder**

Mr. Peek stated TG Automotive Sealing Kentucky, LLC, founded in 2002, manufactures rubber molded and plastic interior auto parts as well as automotive weather-stripping. The plant in Hopkinsville is in good condition, however, some of the equipment is in need of upgrades and only half of its available square footage is now being used for productive activity. The company proposes to reinvest in the plant's cooling system, as its greatest periods of turn-over occur in the heat of the summer. The company also proposes to invest in additional extrusion lines which will open up the plant square footage and allow the company

to offset some of its lost work to Mexico. With these incentives, the company will be able to invest in equipment, train its employees and increase morale which could allow for future expansions. The company states without KRA incentives, this project could be at risk. The company has an aggressive timeline and hopes to complete this project by March 2019.

Ms. Elder stated the project investment is \$7,492,293 of which \$4,442,293 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.

Staff recommended preliminary approval of the KRA negotiated tax incentive amount of \$3,300,000.

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

KRA Project (Final)

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

LEDVANCE LLC Woodford County

Ms. Elder stated LEDVANCE LLC requested final approval of its manufacturing project. The company currently has 432 full-time, Kentucky resident employees and has expended \$13,055,923 in equipment and related costs. LEDVANCE LLC is eligible to receive the \$2,500,000 negotiated tax incentive amount as preliminarily approved.

The following modifications have been made since preliminary approval: The company name changed from Osram Sylvania Inc. to LEDVANCE LLC. 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. Vogt moved to approve the staff recommendation, as presented; Mr. Kelly seconded the motion. Motion passed; unanimous.

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

Chairman Hale called on Ms. Palmer to present the IEIA project extension requests to the Authority.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Cetna Energy, LLC	Boyd	12 Month
Jefferson AD II, LLC	Jefferson	12 Month

Staff recommended approval of extension requests.

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

Kentucky Small Business Credit Initiative (KSBCI)

Chairman Hale called on Ms. Palmer to present the KSBCI collateral support request to the Authority.

**SNEAK Properties, LLC
Jefferson County**

Ms. Palmer stated Stock Yards Bank & Trust requested collateral assistance for up to \$798,000 to assist in the purchase of real estate by SNEAK Properties, LLC, the real estate holding company for Isopure Corp. The total bank loan is \$3,990,000.

Isopure Corp. makes purification systems for the dialysis industry and increased production demands require a larger facility. The building to be purchased is a 65,000 square foot climate controlled building located in Louisville, KY and will house the operations of Isopure Corp.

Staff recommended approval of the bank request for up to \$798,000 in support from the KSBCI Kentucky Collateral Support Program.

Mr. Kelly moved to approve the staff recommendation, as presented; Mr. Vogt 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 10 Kentucky small businesses from 6 counties with qualifying tax credits of \$100,200. The 10 businesses created 29 jobs and invested \$269,827 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
BTA LLC	Jefferson	0	2	\$ 17.67	\$ 6,500	\$ 6,500
Construction Machinery Company, Inc.	Jefferson	29	6	\$ 30.07	\$ 22,956	\$ 21,000
Emerson's Bakery, Inc.	Boone	11	1	\$ 26.00	\$ 8,248	\$ 3,500
Janson Communications, LLC	Boyd	12	4	\$ 17.58	\$135,758	\$ 14,000
Morel Construction Co., LLC	Jefferson	18	5	\$ 23.40	\$ 28,300	\$ 17,500
Norman Story & Associates, Inc.	Fleming	13	1	\$ 17.50	\$ 17,868	\$ 3,500
Skye Technologies, LLC	Jefferson	6	3	\$ 22.22	\$ 9,770	\$ 9,700
TDT Motorsports Group, LLC	Rowan	3	1	\$ 11.00	\$ 10,599	\$ 3,500
The Roberts Group, P.S.C.	Fayette	17	3	\$ 26.25	\$ 18,245	\$ 10,500
Ugly Ape, Inc.	Fayette	0	3	\$ 17.50	\$ 11,583	\$ 10,500

Staff recommended approval of the tax credits.

Mr. Vogt moved to approve the staff recommendation, as presented; Mr. Kelly 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 two (2) Kentucky Angel Investment Act Program projects representing 2 Kentucky businesses and 2 individuals for a total projected investment of \$100,000 with eligible tax credits of \$40,000. 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:

Qualified Small Business Qualified Investor(s)	County	Projected Investment	Tax Credit
<u>Advanced Energy Materials, LLC</u> Santosh Patil	Jefferson	\$ 50,000	\$ 20,000
<u>Gourmet Renee LLC</u> Stephen Olenick	Kenton	\$ 50,000	\$ 20,000

Staff recommended approval of the proposed tax credits.

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

Executive Session

Pursuant to KRS Section 61.810 (1) (C), Chairman Hale entertained a motion to enter into executive session to discuss proposed or pending litigation against or on behalf of the public agency.

Mr. Kelly moved to enter into executive session; Mr. King seconded the motion. Motion passed; unanimous. The board entered into executive session at 10:29 a.m.

Regular Session

Chairman Hale entertained a motion to return to regular session.

Mr. Kelly moved to return to regular session; Mr. Vogt seconded the motion. Motion passed; unanimous. The board returned to regular session 10:35 a.m.

KEDFA Loan (Modification)

The Thompson Group Henderson County

A motion was made by Mr. Vogt and seconded by Mr. Kelly to approve the KEDFA Loan modification request by The Thompson Group for a six (6) month extension beginning March 2017 and ending August 31, 2017 with monthly principal payments of \$500 plus interest. The motion carried unanimously.

Adjournment

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

Mr. Kelly moved to adjourn the March KEDFA board meeting; Mr. Vogt seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:36 a.m.

PRESIDING OFFICER:



 Jean Hale, Chairman