

# KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

## BOARD MEETING

April 26, 2018

### MINUTES

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#### **Call to Order**

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:09 a.m. EDT on April 26, 2018, 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, Don Goodin, Melinda Hill, Proxy for Secretary William M. Landrum, III, Tucker Ballinger and Joe Kelly

**Staff Present:** Bobby Aldridge, Tim Back, John Bevington, Anna Beth Bobbitt, Jessica Burke, Sarah Butler, Michelle Elder, Reid Glass, Kate Greenwell, Krista Harrod, Lauren Osborne, Kylee Palmer, Corky Peek, Erran Persley, Debbie Phillips, Lindsey Ransdell, Taylor Sears, Tess Simon, Katie Smith and Teresa Spreitzer

**Others Present:** Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Jason Horwitz, Anderson Economic Group; Richie Sanders, Capital Link Consultants; Casey Bolton, Commonwealth Economics; Quincy Cutshaw, Denham-Blythe; Brad Thomas, Kentucky's Touchtone Energy Co-ops; Laura Ferguson, Louisville/Jefferson County Metro Government; Barry Lendrum, Paladin; and Geoff Dickinson, SB Friedman Development Advisors

#### **Approval of Minutes**

Chairman Hale entertained a motion to approve the minutes from the March 29, 2018 regular KEDFA board meeting and executive session.

Joe Kelly moved to approve the minutes, as presented; Melinda Hill 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 Krista Harrod to review the financial statements and monthly monitoring reports as of March 31, 2018. After review, the Authority accepted the statements and reports as presented.

## **KEDFA Loan (Modification)**

Chairman Hale called on Sarah Butler to present a KEDFA Loan modification request to the Authority.

### **Murray-Calloway Economic Development Corporation Calloway County**

Ms. Butler stated on May 16, 2008, KEDFA approved a \$1,600,000 loan to Murray-Calloway Economic Development Corporation (MCEDC) to finance the purchase of a 135-acre tract of land to create a new industrial park. The loan was made for a term of five years at an interest rate of 2% with a maturity date of May 16, 2013. At that time, KEDFA was secured with a letter of credit and a \$500,000 certificate of deposit (CD).

In May 2013, MCEDC provided an appraisal that indicated a property value of \$3.5 million. KEDFA approved a request for a change in collateral from a letter of credit to a first mortgage and a five-year extension with interest only payments for the first two years. Beginning the third year, MCEDC would repay the loan by making monthly principal and interest payments with a maturity date in May 2018. MCEDC was also required to make principal reductions in exchange for the sale and partial release of real estate in the park.

By July 2015, MCEDC had sold one parcel and submitted a payment of \$20,000. KEDFA approved, as requested, a \$250,000 partial release of the existing CD and release of 23 acres for the construction of a spec building in the industrial park in exchange for a principal pay down of \$250,000. In addition, KEDFA approved a requested change to the loan repayment terms to \$2,000 monthly principal payments and accrued interest quarterly.

The spec industrial building was completed in the spring of 2017 and is listed for sale. MCEDC has also invested over \$3 million into the park for infrastructure, highway frontage, water lines, and electrical access. MCEDC estimates a three year sell off. No additional parcels have been sold, but MCEDC reports requests for information activity in the park.

The current loan balance is \$1,275,986 and the estimated loan to cost basis is approximately 26%. MCEDC has requested to extend the loan maturity for five years and increase the principal payments to \$5,000 per month plus 2% interest. The mortgage and \$250,000 CD would remain as collateral for the loan.

Staff recommended approval of the loan modification to extend the maturity to May 2023, and to increase the monthly principal payments to \$5,000 per month plus interest.

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

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

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

### **Generation Tux, Inc. Jefferson County**

Mr. Aldridge stated Generation Tux, Inc. is a renter of men's formalwear. The company received final approval on July 27, 2017 for a project to locate a new fulfillment center in Louisville.

Subsequent to the execution of the original Tax Incentive Agreement and in connection with the acquisition of a competing business, the company increased the size and scope of the

project. To encourage the expanded growth at the project site and recognize the increased investment, staff negotiated the following changes in the project: The job target increased from 80 to 300, the average hourly wage increased from \$20.00 to \$21.00 including benefits, and the tax incentive amount increased from \$1,000,000 to \$2,500,000. The annual targets and annual maximums were also revised.

The company has not activated the project and requested an Amendment to the Tax Incentive Agreement recognizing the changes to the project as stated above.

Staff recommended approval of the KBI amendment request.

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

**Nationwide Mutual Insurance Company  
Jefferson County**

Mr. Aldridge stated on April 25, 2013, KEDFA granted final approval to Jefferson National Financial Corp. (Jefferson) to assist with the relocation of the company's out-of-state headquarters to Louisville. The project activated on April 30, 2013.

On March 1, 2017, Nationwide Mutual Insurance Company (Nationwide) acquired Jefferson, and effective December 18, 2017, transitioned all employees of Jefferson to Nationwide. Nationwide wishes to assume the rights and obligations of the KBI project and requested Nationwide be designated as the approved company under the program. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

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

**Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)**

Chairman Hale called on Mr. Aldridge to present the KEIA project extension requests to the Authority.

Mr. Aldridge stated 4 companies requested additional time to complete the projects. Mr. Aldridge asked that all 4 be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
<b>Carl Zeiss Vision Inc.</b>	Boone	2 Month
<b>Lakeshore Equipment Company dba Lakeshore Learning Company</b>	Woodford	3 Month
<b>Rabbit Hole Spirits, LLC</b>	Jefferson	3 Month
<b>Peristyle, LLC</b>	Woodford	12 Month

Staff recommended approval of the KEIA extension requests.

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

**KEIA Project**

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

**Water Tower Place, LLC  
Jefferson County**

**Tess Simon  
Debbie Phillips**

Tess Simon stated Water Tower Place, LLC is an entity formed for the ownership of the proposed Water Tower Place Hotel which Barrister Commercial Group is the developer. The company is considering the construction of a 143 room/suite hotel to include a restaurant, lounge and meeting space. The hotel can provide lodging for the numerous tourism events held at Champions Park.

Debbie Phillips stated the project investment is \$26,000,000 of which \$16,500,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$400,000 for construction materials and building fixtures.

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

**KBI Projects (Preliminary)**

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

**EZ Pack Refuse Hauling Solutions, LLC dba  
Commercial Specialty Truck Holdings  
Harrison County**

**Anna Beth Bobbitt  
Michelle Elder**

Anna Beth Bobbitt stated Commercial Specialty Truck Holdings is considering enhancing its product portfolio by adding front discharge drums and service parts to its manufacturing footprint. The additional products would add to the company's existing capabilities and immediately bring new jobs to the community.

Ms. Bobbitt introduced Richie Sanders and invited him to address the board regarding the project.

Michelle Elder stated the project investment is \$6,685,200 all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 5.0%. The company will be required to maintain a base employment equal to the greater number of full-time, Kentucky resident employees as of the date of preliminary approval or 170 (base employment required by a previous project) full-time, Kentucky resident employees.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$2,400,000.

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

**Greenfield World Trade, Inc.  
Bourbon County**

**Taylor Sears  
Debbie Phillips**

Taylor Sears stated Greenfield World Trade, Inc. opened for business in 1999 as a distributor of kitchen products. The company is considering a new manufacturing location for its Excalibur Food Dehydrator and Nautilus Water Purification products.

Ms. Phillips stated the project investment is \$6,675,000 of which \$6,275,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 60 with an average hourly wage of \$19.00 including benefits. The state wage assessment participation is 3.0% with the City of Paris participation at 0.5% and Bourbon County participation at 0.5%.

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. Kelly seconded the motion. Motion passed; unanimous.

**Mayfield Consumer Products, LLC  
Graves County**

**Corky Peek  
Michelle Elder**

Corky Peek stated Mayfield Consumer Products, LLC is a complete home fragrance company that designs, manufactures and markets various label and branded candles and home fragrance products. The company is considering a building in Graves County to implement a portion of its candle production operation as well as purchase of equipment.

Ms. Elder stated the project investment is \$5,550,000 of which \$3,200,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 35 with an average hourly wage of \$19.00 including benefits. The state wage assessment participation is 3.0% and Graves County will participate at 1.0%. The company will be required to maintain 100% 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. The project will include multiple locations within Graves County. Only investment costs incurred at 22 Rifle Trail, Hickory, 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.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$700,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Ms. Hill 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 15 companies requested a time extension. Ms. Elder asked that all 15 be presented as one motion.

<b>Company</b>	<b>County</b>	<b>Extension</b>
<b>ADP Benefit Services KY, Inc.</b>	Jefferson	3 Month
<b>Universal Woods, Inc.</b>	Jefferson	3 Month
<b>Peristyle, LLC</b>	Woodford	6 Month
<b>Appalachian Metal Prototypes Inc.</b>	Bell	12 Month
<b>D &amp; B Truck and Equipment Sales, LLC</b>	Barren	12 Month
<b>Flottweg Separation Technology, Inc.</b>	Boone	12 Month
<b>Hera Testing Laboratories, Inc.</b>	Fayette	12 Month
<b>Industry Products Company</b>	Scott	12 Month
<b>Isopure, Corp.</b>	Shelby	12 Month
<b>New Mather Metals, Inc.</b>	Simpson	12 Month
<b>Progress Rail Raceland Corporation</b>	Greenup	12 Month

<b>RXC Acquisition Company dba RXCrossroads</b>	Jefferson	12 Month
<b>Safai Enterprises, Inc.</b>	Jefferson	12 Month
<b>Summit Biosciences Inc.</b>	Fayette	12 Month
<b>Vestor Horizon Technologies, LLC</b>	Warren	12 Month

Staff recommended approval of the KBI extension requests.

Mr. Kelly moved to approve the staff recommendation, as presented; Mr. Ballinger 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 6 companies requested KBI final approval, 3 of which have modifications since preliminary approval. Ms. Phillips asked that all 6 be presented as one motion.

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
<b>3M Company</b>	Harrison	Manufacturing
<b>Four Roses Distillery LLC</b>	Anderson	Manufacturing
<b>Sondex, Inc.</b>	Jefferson	Manufacturing

Modifications:

**Aldora Aluminum & Glass Products, Inc.** Jefferson Manufacturing  
The company name changed from Louisville Plate Glass Company, Inc. to Aldora Aluminum & Glass Products, Inc. All other aspects of the project remain the same.

**Rabbit Hole Spirits, LLC** Jefferson Manufacturing  
The project will include multiple locations within Louisville, Jefferson County. Only investment costs incurred at 711 East Jefferson 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. All other aspects of the project remain the same.

**Tower Automotive Operations USA I, LLC** Bullitt Manufacturing  
Rent is no longer eligible, therefore, the eligible costs decreased from \$5,000,000 to \$3,000,000. 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. Ballinger moved to approve the staff recommendation, as presented; Mr. Kelly 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 8 Kentucky small businesses from 7 counties with qualifying tax credits of \$50,300. The 8 businesses created 15 jobs and invested \$110,295 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 and/or Technology</b>	<b>Tax Credit</b>
Green Up, LLC	Oldham	0	1	\$ 13.00	\$ 5,128	\$ 3,500
Healthcare Asset Network, Inc.	Jefferson	4	2	\$ 39.66	\$ 5,082	\$ 5,000
Heritage Installations I, LLC	Jefferson	30	1	\$ 21.64	\$ 11,780	\$ 3,500
Max M. Downey, O.D., P.S.C.	Adair	8	1	\$ 12.00	\$ 10,995	\$ 3,500
Rubel Creative, Inc.	Warren	3	3	\$ 17.64	\$ 10,395	\$ 10,300
School Spirit Coffee Inc	Clark	1	1	\$ 15.00	\$ 11,999	\$ 3,500
Tristate Pizza, LLC	Daviess	0	5	\$ 18.56	\$ 47,980	\$ 17,500
Wilpower Futures, Inc	Knox	0	1	\$ 11.00	\$ 6,936	\$ 3,500

Staff recommended approval of the tax credits.

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

### **Closed 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 siting, retention, expansion or upgrade of the business.

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

The board entered into executive session at 10:34 a.m.

### **Regular Session**

Chairman Hale entertained a motion to return to regular session.

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

The board returned to regular session 11:08 a.m.

### **Other Business**

#### **Quarterly Report - Kentucky Small Business Credit Initiative (KSBCI)**

Chairman Hale called on Ms. Palmer to review the Quarterly KSBCI Report for the period ending March 31, 2018. After review, the Authority accepted the report as presented.

#### **Resolution of Recognition**

Chairman Hale read and presented a Resolution to recognize the service of Dorsey G. Hall as a Director of the Board and his contribution toward making the Kentucky Economic Development Finance Authority a working success.

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


### **Adjournment**

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

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

The meeting adjourned at 11:12 a.m.

**PRESIDING OFFICER:**



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J. Don Goodin, Vice Chairman