

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING February 7, 2019

MINUTES

Call to Order

Due to adverse weather conditions on January 31, 2019, the regular board meeting was cancelled. Therefore, the Kentucky Economic Development Finance Authority (KEDFA) convened at 10:00 a.m. EST on February 7, 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, Ryan Barrow, proxy for Secretary William M. Landrum, III, Tucker Ballinger, Joe Kelly and Chad Miller

Staff Present: Bobby Aldridge, Tim Back, Jessica Burke, Sarah Butler, Kimberly Crace, Michelle Elder, Annie Franklin, Kate Greenwell, David Hamilton, Krista Harrod, Brooklyn Leep, Brandon Mattingly, Kylee Palmer, Corky Peek, Debbie Phillips, Vivek Sarin, Taylor Sears, Katie Smith, and Lucas Witt

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Mark Franklin, Stoll Keenon Ogden; Heather Pierce, Paducah Economic Development; Matt Zoellner, Scott, Murphy & Daniel; Alex Mercer, Louisville Forward; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Richie Sanders, Capital Link Consultants; Casey Dunn, Denham-Blythe Company; Deborah Pape, AeroSource H, LLC

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the December 13, 2018 regular KEDFA board meeting.

Joe Kelly moved to approve the minutes, as presented; Tucker Ballinger 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.

Local Industrial Revenue Bond (IRB) Project

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

Aptitude 4th Street, LLC

Jefferson

Ms. Phillips stated in accordance with KRS 103.210, Louisville/Jefferson County Metro Government requested KEDFA review and approve a one hundred percent (100%) reduction in the state ad valorem tax rate on the residential complex which Aptitude 4th Street, LLC proposes to be financed through the issuance of industrial revenue bonds by the Louisville/Jefferson County Metro Government. The company proposed a 10-story residential rental complex, parking garage and related tenant amenities primarily for students attending the University of Louisville and other local post-secondary educational institutions. The principal amount of the IRB authorization is up to \$43,000,000 for a term of 30 years. A Payment in Lieu of Tax Agreement will be required with the Jefferson County School District.

Staff recommended approval of the requested percentage reduction in the state ad valorem tax rate on the industrial building and equipment proposed to be financed through the issuance of the industrial revenue bonds.

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

Note: The KEDFA board did not make any type of determination as to the legality of the bonds to be issued by the Louisville/Jefferson County Metro Government, but only approved the reduction on the ad valorem tax rate as provided by KRS 103.200 and KRS 132.020.

Kentucky Business Investment (KBI) Projects (Amendment)

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

Funai Lexington Technology Corporation

Fayette County

Mr. Aldridge stated Funai Lexington Technology Corporation received final approval on December 10, 2015 to establish a research and development center in Lexington, and activated the project on December 10, 2017. The company's payroll and employees are managed through a co-employment relationship with a professional employer organization, which was in place at the time of final approval but inadvertently omitted from the terms of the original agreement. The company is requesting an amendment to the agreement to ratify its co-employment relationship with the professional employer organization. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

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

Hayashi Telemu North America Corporation

Franklin County

Mr. Aldridge stated Hayashi Telemu North America Corporation received final approval on December 8, 2016 for a KBI project to establish a leased manufacturing facility at 110 Fortune Drive in Frankfort. Subsequent to the execution of the original agreement, the company purchased the site of the project, along with certain adjacent buildings and parcels, and consolidated the land and buildings into a single address known as 116 Lane View Drive. The company has requested that the location of the economic development project be modified to

reflect the consolidation of the addresses and to recognize the termination of the lease agreement. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

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

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

Chairman Hale called on Bobby 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 |
|----------------------------------|---------------|------------------|
| Macro Plastics Inc. | Shelby | 4 Month |
| Catalent Pharma Solutions, LLC | Clark | 6 Month |
| Consolidated Grain and Barge Co. | Jefferson | 6 Month |
| Four Roses Distillery LLC | Anderson | 6 Month |
| Emerge Technologies, LLC | Boone | 12 Month |
| Hollison LLC | Daviess | 12 Month |
| Kentucky Green Harvest LLC | Lincoln | 12 Month |

Staff recommended approval of the KEIA extension requests retroactive to January 31, 2019.

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

Kentucky Business Investment (KBI) Project (Preliminary) and KEIA Project

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

Ale-8-One Bottling Company Clark County

Taylor Sears Kate Greenwell

Taylor Sears stated Ale-8-One Bottling Company was founded in 1902 by G.L. Wainscott in Winchester and remains the oldest, privately held bottler in the United States still owned and operated by the founding family. The company is considering an expansion of its facility due to an opportunity to co-pack a potential customer's product.

Kate Greenwell stated the project investment is \$19,400,000 of which \$9,700,000 qualifies as KBI eligible costs and \$4,075,000 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 40 with an average hourly wage of \$23.75 including benefits. The state wage assessment participation is 3.0% and the City of Winchester 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.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$685,000 and the KEIA approved recovery amount of \$65,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

**AeroSource H, LLC
Ballard County**

**Corky Peek
Michelle Elder**

Corky Peek stated AeroSource H, LLC is an industrial hemp processing company formed in April 2018. The company is considering an expansion of its production facility in Ballard County. AeroSource needs to purchase new equipment to be able to acquire new business.

Mr. Peek introduced Deborah Pape and invited her to address the board regarding the project.

Michelle Elder stated the project investment is \$2,833,450, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 14 with an average hourly wage of \$18.00 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 \$300,000.

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

**Blackbird Manufacturing, LLC
Daviss County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Blackbird Manufacturing, LLC is a manufacturer of stone countertops, primarily granite and quartz, for the commercial construction industry. The company is in a growth mode and needs to expand. Blackbird is considering adding square footage to its facility, making improvements and purchasing new equipment to meet demand.

Ms. Elder stated the project investment is \$780,000 of which \$380,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 20 with an average hourly wage of \$17.00 including benefits. The state wage assessment participation is 3.0% and the City of Owensboro 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.

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

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

**Columbia Brands USA, LLC
Henderson County**

**Corky Peek
Michelle Elder**

Mr. Peek stated Columbia Brands USA, LLC, a U.S. subsidiary of Columbia Sportswear Company, was incorporated in 2003 in Oregon. The company sells and distributes Columbia, Sorel, Montrail, PrAna and Mountain Hardwear branded apparel and footwear products throughout the United States. The company has many retail locations and owns two distribution centers, one of which is in Kentucky. Columbia Brands USA, LLC is considering purchasing new racking equipment and electronic processing equipment at its Henderson location to meet customer demand.

Ms. Elder stated the project investment is \$700,000 of which \$500,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 25 with an average hourly wage of \$17.00 including benefits. The state wage assessment participation is 3.0% and Henderson County 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 project will include multiple locations within Henderson County. Only investment costs incurred at 2001 Northern Star Way 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.

Joe Kelly moved to approve the staff recommendation, as presented; Chad Miller seconded the motion. Motion passed; unanimous.

**OFS Brands Holdings Inc.
Grayson County**

**Corky Peek
Michelle Elder**

Mr. Peek stated OFS Brands Holdings Inc. manufactures and distributes furniture in the office, healthcare, education and hospitality sectors. The company is considering adding a new production line, making facility improvements and purchasing new equipment at its Leitchfield facility.

Ms. Elder stated the project investment is \$1,000,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 105 with an average hourly wage of \$17.00 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 \$1,000,000.

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

**Fives Intralogistics Corp.
Jefferson County**

**Lucas Witt
Michelle Elder**

Lucas Witt stated Fives Intralogistics business unit designs and supplies world-class material handling, sorting equipment and systems and complete warehouse automation solutions for customers in the intralogistics sector. Fives Intralogistics Corp., headquartered in Louisville, is the North American arm of the intralogistics business unit. The company is considering purchasing additional office and manufacturing space to meet customer demand.

Ms. Elder stated the project investment is \$15,050,000 of which \$7,230,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 370 with an average hourly wage of \$48.00 including benefits. The state wage assessment participation is 3.0% and Louisville/Jefferson County Metro Government 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.

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

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

**LORD Corporation
Warren County**

**Lucas Witt
Michelle Elder**

Mr. Witt stated LORD Corporation is a diversified technology and manufacturing company developing highly reliable adhesives, coatings, motion management devices, and sensing technologies that significantly reduce risk and improve product performance. For more than 90 years, LORD has worked in collaboration with its customers to provide innovative oil and gas, aerospace, defense, automotive and industrial solutions. The company is out of space at its existing facility and is considering an expansion for new and existing employees and new equipment in order to keep up with market demands.

Ms. Elder stated the project investment is \$4,000,000 of which \$3,097,948 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 30 with an average hourly wage of \$31.00 including benefits. The state wage assessment participation is 3.0% and the City of Bowling Green 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.

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

Joe Kelly moved to approve the staff recommendation, as presented; Don 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 12 companies requested additional time to complete the projects and asked that all 12 be presented as one motion.

| Company | County | Extension |
|--------------------------------|---------------|------------------|
| CabKey, LLC | Daviess | 6 Month |
| Kentucky Building Systems, LLC | Daviess | 6 Month |
| Builders FirstSource, Inc. | Warren | 12 Month |
| Coldstream Laboratories, Inc. | Fayette | 12 Month |
| Core-Mark International, Inc. | Grayson | 12 Month |
| Custom Resins, Inc. | Henderson | 12 Month |
| Evolent Health LLC | Jefferson | 12 Month |
| KapStone Container Corporation | Warren | 12 Month |
| Messier-Bugatti USA, LLC | Boone | 12 Month |
| OG&A BioSpecialties LLC | Daviess | 12 Month |
| Precision Strip, Inc. | Warren | 12 Month |
| Stark Truss Company, Inc. | Simpson | 12 Month |

Staff recommended approval of the KBI extension requests retroactive to January 31, 2019.

Jean Hale moved to approve the staff recommendation, as presented; Chad Miller 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 11 companies requested KBI final approval, one of which has a modification since preliminary approval. Ms. Phillips asked that all 11 be presented as one motion.

No Modifications:

| <u>Project Name</u> | <u>County</u> | <u>Type Project</u> |
|--|---------------|----------------------|
| Creform Corporation | Scott | Manufacturing |
| Emerson Electric Co. | Logan | Manufacturing |
| Frost-Arnett Company | Taylor | Service & Technology |
| GreenTree Forest Products, Inc. | Fleming | Manufacturing |
| PARx Solutions Inc. | Jefferson | Service & Technology |
| Senture, LLC | Jackson | Service & Technology |
| Senture, LLC | Whitley | Service & Technology |
| Stoody Company | Warren | Manufacturing |
| TMM (USA), Inc. | Simpson | Manufacturing |
| Toyo Automotive Parts (USA), Inc. | Simpson | Manufacturing |

Modifications:

Bluth Company, LLC Warren Manufacturing
 The company name changed from BlueCotton, Inc. to Bluth Company, LLC. The affiliate changed from Bluth Company, LLC to BlueCotton, Inc. 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.

Chad Miller moved to approve the staff recommendation, as presented; Tucker Ballinger 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 four Kentucky small businesses from four counties with qualifying tax credits of \$24,500. The four businesses created 7 jobs and invested \$86,590 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> |
|--|---------------|------------------|-------------------|----------------------------|---|-------------------|
| Inside Out Design, LLC | Franklin | 4 | 1 | \$ 14.00 | \$ 25,669 | \$ 3,500 |
| Laswell Electric Company, Inc. | Jefferson | 7 | 1 | \$ 34.51 | \$ 18,417 | \$ 3,500 |
| Mt. Sterling Pediatrics, P.S.C. | Montgomery | 16 | 2 | \$ 24.03 | \$ 13,651 | \$ 7,000 |
| Wildier Iron Works LLC | Campbell | 0 | 3 | \$ 23.31 | \$ 28,853 | \$ 10,500 |

Staff recommended approval of the tax credits.

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

Other Business

Quarterly Report - Kentucky Small Business Credit Initiative (KSBCI)

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

Quarterly Report – Letter Amendment / Resolution

Chairman Hale called on Jessica Burke to review the Quarterly Amendment Report ending January 31, 2019

Kentucky Jobs Development Act (KJDA)

Metal Sales Manufacturing Corporation

Letter Amendment to KJDA Service & Technology Agreement dated December 13, 2007, for Metal Sales Manufacturing Corporation, due to the company converting from a C Corporation to an S Corporation and changing its Fiscal Year from April 1st to March 31st to commencing January 1st and ending December 31st, effective April 1, 2017.

Staff recommended the Authority accept the Amendment Report and adopt the resolution to ratify the amendments.

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

Closed 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.

Don Goodin moved to enter into executive session; Tucker Ballinger seconded the motion. Motion passed; unanimous.

The board entered into executive session at 10:31 a.m.

Regular Session

Chairman Hale entertained a motion to return to regular session.

Joe Kelly moved to return to regular session; Tucker Ballinger seconded the motion. Motion passed; unanimous.

The board returned to regular session 10:36 a.m.

Adjournment

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

Chad Miller moved to adjourn the February 7th KEDFA board meeting; Don Goodin seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:36 a.m.

**APPROVED
PRESIDING OFFICER:**

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

Jean R. Hale, Chairman