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Consolidate?

Kentucky banks performing well,
but rising regulation costs driving
them toward merger and acquisition

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Kentucky bank performance compares well with those in other states, but like banks everywhere the cost of complying with a increasing levels of regulation is forcing smaller banks to consider mergers and acquisitions to achieve economies of scale to stay competitive.

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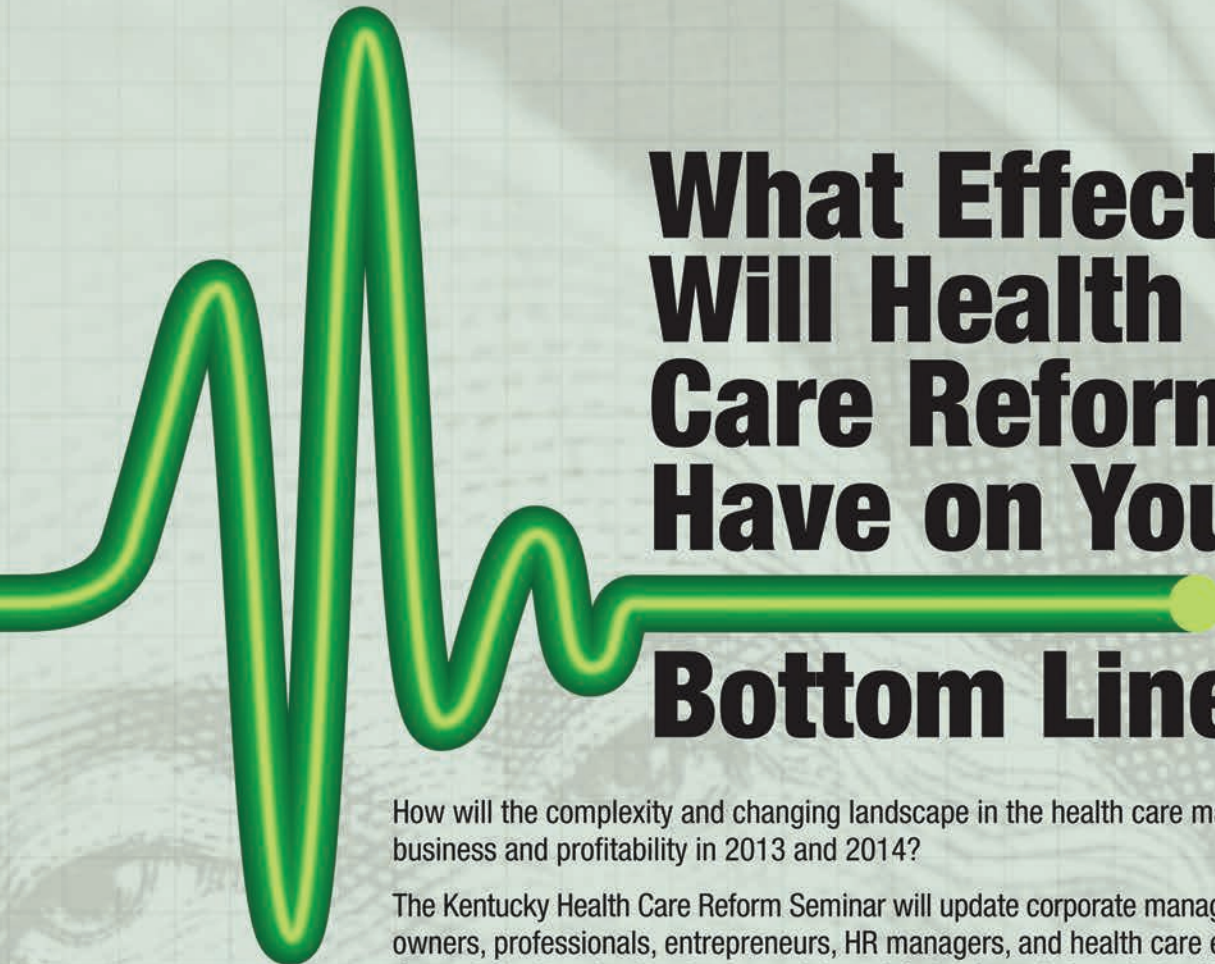
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ASSOCIATE EDITORS

Karen Baird
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CREATIVE DIRECTOR

Jessica Merriman

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PUBLISHER

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ASSOCIATE PUBLISHERS

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PERSPECTIVE

BRING ON THE DEBATE

The value of having
two strong parties

BY PAT FREIBERT

DON'T look now, but Kentucky is becoming a two-party state. Throughout modern times, Kentucky has been dominated by a single political party standing nearly unchallenged astride the political landscape of the commonwealth. In November's general election, the Kentucky Republican Party increased its majority in the state Senate by one. More astonishing, Republicans gained four seats in the state House of Representatives for a total of 45 of the 100 members, the most since 1920. They now need only six seats to claim a majority there. Three House races were lost by Republicans by fewer than 600 votes combined, including one by only five votes.

The Republican Party achieved these results by targeting and putting together a superior "ground game," with an all-time high Republican voter registration. GOP House Floor Leader Jeff Hoover and Senate President Robert Stivers, veteran lawmakers, were key leaders in advancing Republican fortunes at the polls. Kentucky also elected Central Kentucky Republican Andy Barr to Congress to replace a Democrat. The GOP is on the march.

Long known as a single-party state, Kentucky has elected only two GOP governors in the past four decades. Democrats continue to occupy all statewide constitutional offices except one: James Comer, secretary of agriculture, who captured more votes in the most recent statewide election than any other candidate on the ballot (including Gov. Steve Beshear). This places him on the stage as a potential gubernatorial candidate, along with Sen. Stivers, Rep. Hoover and others.

Kentucky's Democratic attorney general is considered a potential candidate for governor next time, as well as Auditor Adam Edelen and Crit Luallen, a veteran in Democrat politics. In the Democrat stable, Secretary of State Allison Lundergan Grimes seems destined for higher political office. She is bright, articulate, well educated and engaging, with an abundance of energy and initiative; from an activist political family, she seems to have a compelling under-

standing of public service and what it takes to win elections.

It's still early, and others will emerge as possible candidates from both parties. Kentucky and the nation will benefit from strong debate between the parties and among the candidates. Public debate is the best way for Kentuckians and Americans to understand and choose their political leaders.

Debate has almost disappeared from Congress. The late U.S. Sen. Everett Dirksen, R-Illinois, was the last truly accomplished debater in the Senate. In the House of Representatives it was the late African-American U.S. Rep. Barbara Jordan, D-Texas. Each was eloquent and effective in debate skills. Bring back debate by elected officials! That's the best way for Americans to make choices – not TV commercials and dirty tricks.

Political decisions should not be made behind closed doors, passing out favors to benefactors. "Obamacare" was put together in secret and behind closed doors. This measure should have been honestly debated in the light of day.

Welfare explosion. Impending national bankruptcy. Historic chronic unemployment. The mess in Libya. A shrinking economy. Class warfare. Unsupportable debt. Confiscatory taxes. Weapons of mass destruction in North Korea and Iran capable of threatening our homeland. Candidates and office holders should address these serious national concerns – not behind closed doors but in public fresh air.

And in Frankfort, legislators and other officials should debate possible solutions for pension reform, joblessness, right to work, economic opportunities for Kentuckians, tax reform and casino gambling. They should tell voters what their views are so the voters can evaluate. And please, no mudslinging, dirty tricks or misleading TV commercials.

Government works best when there are two strong parties, each challenging the other with competing ideas and solutions. Knowledgeable and mutually agreed upon moderators for campaign debates are preferred to media personalities who are basically entertainers with propaganda goals.

May the best men and women win, whether in political campaigns or the halls of the Kentucky General Assembly and the U.S. Congress. ■



Pat Freibert is a former Kentucky state representative from Lexington. She can be reached at editorial@lanereport.com.

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FAST LANE

A compilation of economic news from across Kentucky

STATE: \$22B IN 2012 EXPORT SALES SETS NEW ANNUAL KY RECORD; CANADIAN TRADE MISSION PLANNED FOR JUNE



TOP KENTUCKY EXPORTS (2012)

Motor vehicles/parts	\$4.4 billion
Aerospace products/parts	\$3.8 billion
Resin/synthetic rubber	\$1.4 billion

Motor vehicles and parts topped the chart with \$4.4 billion in export sales. Aerospace products and parts were second, with \$3.8 billion, while resin/synthetic rubber came in third, accounting for \$1.4 billion in exports.

Kentucky's top trading partner once again was Canada, with \$7.3 billion in products and services, with Mexico (\$1.7 billion), United Kingdom (\$1.5 billion), Japan (\$1.3 billion) and Brazil (\$1.15 billion) rounding out the top five. To further expand trade opportunities with its leading trade partner, the KEI will lead a four-day international business trade mission to Toronto in June 2013.

Companies wishing to participate in the trade mission can apply for a grant to help cover their costs, with grant assistance for the trade mission available through the U.S. Small Business Administration State Trade and Export Promotion (STEP) program administered by the Cabinet for Economic Development. More information about the trade mission and STEP grant can be found at KYExports.com.

STATE: UK RESEARCHERS PREDICT KY'S ECONOMY WILL OUTPACE NATION'S; EDUCATION, INNOVATION ARE KEY

RESEARCHERS with the University of Kentucky Center for Business and Economic Research (CBER) predict that the Kentucky economy will outpace the national economy, with Central Kentucky experiencing faster growth and lower unemployment than the rest of the state.

The forecast, part of CBRE's 41st annual economic report, notes that Kentucky fared somewhat better through the recent recession than many parts of the nation. "Employment is rising, generally across all sectors, and the unemployment rate in Kentucky, once markedly higher than the nation, has fallen more rapidly and is poised to fall below the national rate," the report said.

The report covers a variety of issues, ranging from the economic forecast for 2013 to a comprehensive presentation of economic, education, health, environmental, energy, community, public finance and demographic factors, trends and forces affecting Kentucky's future economic prosperity.

The authors of the report – Chris Bollinger, CBRE director and Gatton Endowed Professor of Economics, and Ken Troske, Sturgill Endowed Professor of Economics and senior associate dean for administration, faculty and research for the Gatton College – said they share a "guarded optimism" about the national, regional and state economic prospects this year.

"We have produced an annual report that paints a diverse and complicated picture of our state's economy, its communities, and its citizens," Bollinger said. "Despite the constant change confronting us, there are timeless and enduring lessons. Pursuing educational excellence as well as economic innovation – since ideas, innovation and intellectual capital form the foundation of the knowledge economy – is essential for Kentucky to improve its per capita income and achieve broad prosperity."

Digital copies of the Center for Business and Economic Research 2013 Annual Economic Report can be obtained at the CBRE website or by emailing cber@uky.edu.

LEXINGTON: TQL WILL ADD 75-PLUS JOBS AS PART OF AGGRESSIVE EXPANSION

TOTAL Quality Logistics has moved into a new 10,000-s.f. facility in Lexington that is more than triple the size of its previous facility. The move is part of a \$1.7 million expansion project that will add at least 75 new full-time jobs by 2015.

Cincinnati-based TQL is one of the nation's largest freight brokerage firms, specializing in arranging the transportation of truckload shipments for thousands of companies across the country.

TQL opened its Lexington office less than two years ago, starting with six employees from Cincinnati. Today the company's Lexington staff has grown to 60 employees and the company plans to grow that number to more than 200 within the next three years.



TQL arranges transportation of truckload shipments for companies throughout the country.

The Lexington expansion is part of an aggressive national expansion campaign that has been under way for the past four years. During that time, TQL has opened 17 satellite offices across the country with more to come. Since its inception in 1997, the company has grown an average of 30 percent per year, now employs a staff of more than 2,000 and moves more than 14,000 loads of freight each week.

Though TQL has committed to create at least 75 jobs by 2015 at its expanded Lexington office, the company anticipates exceeding that number, as it has added 50 workers this year alone. The company offers its employees the opportunity to earn unlimited commissions in addition to their base salary. The average compensation for a salesperson who has been selling with TQL for two years is more than \$60,000. For the top 20 percent of sales people in the company, TQL says that number jumps to an average of more than \$100,000.

ERLANGER: NEWLY WEDS FOODS TO HIRE 115 FOR NEW FOOD PRODUCTION PLANT



Leo Culligan, vice president of purchasing for Newly Weds Foods, and Mike Hopp, vice president of manufacturing, present Northern Kentucky Tri-ED Chair/Boone County Judge Executive Gary Moore and Gov. Steve Beshear with a gift showcasing the company's global presence.

A Chicago-based food manufacturer has announced plans to establish a regional production facility in Northern Kentucky that will create 115 new jobs.

Newly Weds Foods, a private, family-owned business founded in 1932, is a global leader in the production of food coatings, seasonings and functional ingredients for the food processing and food service industries. The facility will be Newly Weds

Foods' 13th facility in the United States and its 26th in total. The company employs more than 2,400 people worldwide.

"Demand for our products is growing around the world, and Northern Kentucky provides a central location with an excellent workforce and transportation system," said Newly Weds Foods President Charles T. Angell.

The company has purchased a 326,000-s.f. facility in Erlanger's Circleport Business Park from **Sonoco** for \$7 million. The Erlanger plant is expected to be operational by November, with production lines initially including sheeted breaders, Japanese- and American-style bread crumb, and blending capabilities for food-coating systems. The facility will also house a complete research and development lab.

Mike Hopp, vice president of manufacturing for Newly Weds, told the *Cincinnati Business Courier* that the company chose the Erlanger site for a number of reasons, including easy highway access and the proximity of many of its suppliers and customers.

"If you look at the food processors in the area," Hopp said, "most of those are our customers."

BUSINESS BRIEFS

CALVERT CITY

■ **Ashland** is investing \$15 million to replace a coal-fired boiler and an aging gas-fired boiler at its Calvert City plant with three new heat recovery steam generators that could eventually become part of a co-generation system. Ashland CEO James O'Brien said the investment will dramatically improve the operating efficiency of the facility and help the company compete more effectively on a global scale. The new system will also support plant operations during power outages, such as the ice storm of 2009. The Calvert City plant was acquired by Ashland in 2011, when it bought **International Specialty Products**. The facility has a full-time staff of 500.



COLD SPRING

■ **Carespring Health Care Management** has broken ground on a \$24 million transitional care facility in Cold Spring that will create 200 jobs. The project has been planned since 2008, but the recession caused a delay in construction. With work now under way, the 143-bed facility is projected to open in the fall of 2014 and will provide short-term rehabilitation and long-term nursing care.

COVINGTON

■ **Stites and Harbison** is opening a new office in Covington, the law firm's first location in the Greater Cincinnati area. Prominent construction attorney William G. Geisen has joined Stites and Harbison as



a member of the firm's construction service group and will work out of the new Covington location. Stites and Harbison's origins

date back to 1832, making it one of the oldest law practices in the nation. The firm currently employs some 240 attorneys in nine offices located in Kentucky, Georgia, Indiana, Tennessee and Virginia.

ELIZABETHTOWN

■ **Western Kentucky University** has approved the transfer of 20 acres in Elizabethtown to the Hardin County school system for the creation of an early college and career center. High school students in the Hardin County Schools will use the center to take courses in several career pathways, including health science, engineering, manufacturing, transportation, distribution and logistics, media arts and communication and culinary arts and hospitality services. WKU and **Elizabethtown Community and Technical College** will partner with Hardin County Schools in providing instruction and dual credit courses. In addition, WKU will be able to offer courses in the building during evenings and weekends.

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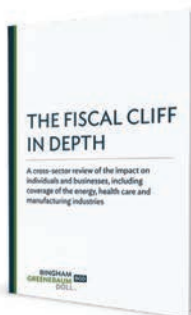
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BUSINESS BRIEFS

FLORENCE

■ **Legion Logistics**, a three-year-old Florence-based company that specializes in helping businesses of all sizes move freight throughout the U.S. and Canada, is investing \$1 million to expand its Boone County facility. The project will add 24 new jobs to the existing 20-member staff.

FRANKFORT

■ **Beam Inc.** plans to move the bottling operations of its **Pinnacle Vodka** and **Calico Jack Rum** products from Maine to its recently expanded facility in Frankfort. The transition will be conducted in stages and is expected to be complete by the end of the first quarter of 2014. The company plans to add approximately 45 new jobs as a result of the move. In addition to its Frankfort bottling operation, Beam also has bottling plants in Clermont and Loretto and a distillery in Boston, Ky., and has invested heavily in its Kentucky locations in recent years, putting \$128 million into its Kentucky manufacturing operations since 2005 and adding 200 new jobs.

HEBRON

■ **Frontier Airlines** will begin flying out of the **Cincinnati/Northern Kentucky International Airport (CVG)** this May with nonstop service between CVG and Denver. Frontier is a low-cost airline that operates from a primary hub at Denver International Airport. The CVG-DEN service will utilize the 168-seat Airbus 320 aircraft and offers passengers connections to 19 destinations beyond Denver.



of Kentucky. The property, which is located one mile northwest of UK's main campus, is slated to open this August.

LEXINGTON

■ **Trinitas Ventures**, an Indiana-based developer of student housing and mixed-used communities, has begun construction work on a new 699-bed student housing project that will serve students at the **University**

■ **Keeneland** has acquired the library collection of the *Thoroughbred Times*, which was recently sold via an online auction. The library consists of approximately 10,000 volumes and 57 file cabinets of books and journals – some dating from the 19th century – as well as historic clip files, photographs, and stallion registries and stud books from Europe, Asia, Australia, Latin America and the United States. The collection will be open to the public once it is inventoried and cataloged.



Keeneland photo



■ **Fazoli's**, a Lexington-based quick-serve Italian restaurant chain, is extending its brand into grocery store shelves. The company's new heat-and-serve product line currently includes four entrees and two side dishes, priced at \$6.99 for the entrees and \$4.49 for the sides. The products are currently available at **Schnuck's, Shop 'n Save** and **A&P; Marsh, Safeway, Meijer** and others will begin carrying the products in the coming months.

■ The **J.M. Smucker Co.** is investing \$43 million to upgrade its Lexington plant, where it produces the popular **Jif** peanut butter brand. Ohio-based Smucker is a leading marketer and manufacturer of fruit spreads, retail packaged coffee, peanut butter, shortening and oils, ice cream toppings, sweetened condensed milk, and health and natural foods beverages in North America. The company currently has 279 employees at its Jif operation in Lexington, where it plans to upgrade machinery, equipment and expand product lines to meet increased demand.



BOWLING GREEN: ALPLA PLASTICS PLANT BRINGING 72 JOBS TO WARREN COUNTY

A **LPLA Inc.**, an Austria-based plastic packaging company, plans to establish a new manufacturing plant in Bowling Green that will create 72 new full-time jobs.

The project represents an investment of more than \$22 million.

Alpla products include packaging for everyday items such as household goods, personal care, food and beverage, cosmetics, household cleaning and laundry, and oils and lubricants.

"Alpla is not a household name here in Kentucky, but the products the company manufactures are in nearly every home in the commonwealth," said Gov. Steve Beshear.

First established in Austria in 1955, Alpla has grown into a global company that now has approximately 13,000 employees at 148 sites in 39 countries.

Alpla will locate its new operations in Building IV at the Kentucky Transpark, a spec building built by the Bowling Green Area Economic Development Authority and completed less than a year ago.



Austria-based Alpla is the largest producer of packaging in Europe, producing a wide range of plastic bottles and caps for a variety of industries.

SOMERSET: OIL REFINERY ENTERS INTO FULL PRODUCTION AFTER 3-YEAR IDLE

A multimillion-dollar overhaul of **Continental Refining Co.**'s crude motor oils refinery in Somerset has been completed and the facility is now fully operational, processing crude oil and finished fuel products.

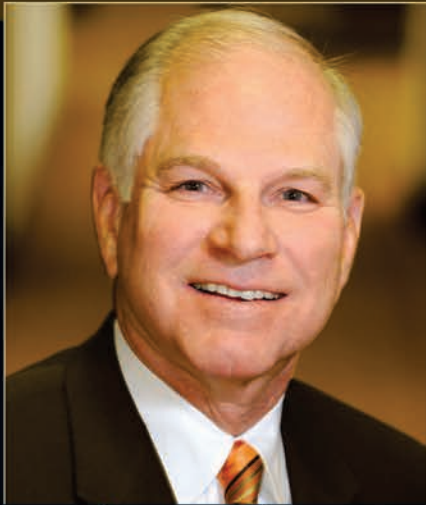
The 80-year-old facility is one of only 150 in the United States and one of just two refineries in Kentucky. It has had a presence in Somerset since the 1930s but began encountering financial difficulties in 2006 with the spike in crude oil prices. The company went through a series of different owners before being purchased by Demetrios Haseotes in 2011 for \$1.17 million. Haseotes has since invested another \$10 million to make the refinery fully operational after being idled for three years. The refinery is projected to be running at its full capacity of 5,500 barrels per day within five months.

Haseotes, president and CEO of Continental, said priorities during that time include increasing efficiency and conversion by reducing bottlenecks and expanding crude oil supply from regional producers, and hiring more employees to support the expanding capacity. So far, the refinery has created 34 jobs in Somerset and the company estimates that 200 indirect jobs will be created in the region as a result of the refinery's operations.

The company has secured a contract with **Sonoco Partners Marketing and Terminals LP** that will ensure a consistent supply of crude oil.

At full capacity, the refinery will be able to produce 23 million gallons of gasoline, 6 million gallons of kerosene, 21 million gallons of diesel fuel and 30 million gallons of heating oils per year.

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Larry Jones

Central Region President
859-389-5350 jonesla@ctbi.com



Larry Forester

Vice President / Business Banking
859-389-5350 forestla@ctbi.com



Andrew Jarvis

Vice President / Business Banking
859-389-5350 jarvisan@ctbi.com



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BUSINESS BRIEFS

LONDON

■ **SERVPRO**, a company that specializes in property cleanup and restoration after fire, smoke and water damage, has built a 15,000-s.f. facility in London that will serve as the company's regional headquarters. The company will employ a staff of 10 in London.

LOUISVILLE

■ **Baptist Hospital East** is investing \$2.8 million in a renovation project that will increase the number of private rooms from approximately 80 percent to nearly 99 percent. The project is expected to be complete by August.



Baptist Health photo

■ **FoodCare**, a young company founded in Silicon Valley and now headquartered in Louisville, has launched a new application for Android and iPhone systems that provides nutritional information tailored to specific dietary guidelines. The EveryoneEat app is designed for people who have chronic nutrition-related health conditions such as diabetes and kidney disease and allows users to immediately search for dishes at 180,000 restaurants nationwide to determine how closely they match their individual dietary needs. FoodCare, previously known as **FoodCalc**, specializes in providing nutrition-related apps and services to consumers, healthcare providers, food service businesses and health-related technology companies.



■ Louisville-based **Beam Technologies** has launched its new **Beam Brush**, a product that is being marketed as "the world's first smart toothbrush." The Beam Brush, which is sold for \$49.99, is a manual toothbrush that is embedded with a sensor that monitors the user's oral hygiene habits and can then report the data to a free smartphone app. With an increased amount of data linking oral health to heart disease, Alzheimer's and other health conditions, health experts say

brushing for two minutes at least twice a day is an important preventative step. The company is also in the process of establishing an online rewards system for users who achieve their healthcare goals.

■ The **University of Louisville's** capital campaign will get a \$6 million boost for student scholarships thanks to a \$3 million gift from the Henry Vogt Foundation and its president, Henry V. Heuser Jr., and \$3 million in matching gifts from other donors. Kentucky students who have a 3.75 GPA in high school and score at least a 30 on the ACT or 1320 on the SAT are eligible to apply for the awards, which include full tuition and an annual \$3,500 educational allowance.

■ As part of its overall effort to revitalize and modernize the **Long John Silver's** (LJS) brand since it came under new ownership a little more than a year ago, the Louisville-based restaurant chain has announced a series of new products and menu enhancements that represent the first major menu restructuring in nearly a decade. The new products include more non-fried products and a wider variety of side dishes. The company has also rolled out a widespread social and digital media campaign designed to introduce the new menu and monitor product and promotional performance.



■ In order to meet an increasing global demand for acrylic elastomers, **Zeon Chemicals** plans to expand the production capacity of its **HyTemp** product by 50 percent at its Louisville manufacturing facility. HyTemp ACM heat- and oil-resistant polymers are used primarily in automotive seals, gaskets, and hoses. "The push for higher fuel efficiency has led to the design of more compact vehicles and the prevalent use of turbochargers to produce more horsepower from smaller engines," said Eric Saunders, business manager for the HyTemp product line. "These design elements, and the presence of more aggressive engine fluids, have led to the exposure to increased temperatures and the need for more fluid-resistant materials for engine components. Our expanded production is a direct response to meeting the increasing demand for high-performance, heat- and oil-resistant elastomers for use in extreme conditions in under-the-hood environments."

BOWLING GREEN: GM PUTS PERFORMANCE ENGINE CENTER AT KY CORVETTE PLANT

Sarah B. Gilliam for General Motors photo



Mike Russel performs the final quality checks on a 2013 Chevrolet Corvette at General Motors' Bowling Green Assembly Plant. Beginning next year, the plant will also handle production of the high-performance engines that power the Corvette.

GENERAL Motors has announced plans to move its **Performance Build Center**, which allows engine aficionados to build their own specialty engines, from Michigan to the Bowling Green Assembly Plant, where the company produces its popular **Chevrolet Corvette**.

The move, backed by a \$3.5 million investment, is part of a planned consolidation of **GM Powertrain** engineering sites and is slated for the first quarter of 2014.

"We host thousands of guests each year, many of whom are here to see their Corvette being built," said Plant Manager Dave Tatman. "Bringing the Performance Build Center here simply adds to the thrill of purchasing a Corvette and increases satisfaction for our customers and employees."

In 2011, GM announced a \$131 million investment for Bowling Green Assembly to support production of the next-generation Corvette, which Chevrolet unveiled on Jan. 13.

The final economic impact for the Bowling Green community is yet to be determined but will include approximately 20 created or retained jobs, specifically for the Performance Build Center. In the past year, more than 150 jobs have been added to Bowling Green Assembly and more growth is expected as production of the 2014 Corvette begins.

STATE: SBA WEBSITE ADVISES BUSINESS OWNERS ABOUT AFFORDABLE CARE ACT

THE U.S. Small Business Administration (SBA) has launched a new web page and blog dedicated to educating small business owners about the **Affordable Care Act**. The new tools will serve as a gateway for small-business owners, connecting them with information provided by SBA's federal partners responsible for implementing the law, including the U.S. Department of Health and Human Services.

The new website – sba.gov/healthcare – breaks down the key provisions of the healthcare act based on business size in the following categories: self-employed, fewer than 25 employees, fewer than 50 employees and more than 50 employees.

The web page also provides links to other useful information for small businesses, including a glossary of key healthcare reform terms, an interactive timeline with dates for when certain reforms will be implemented, a state-by-state breakdown of healthcare options, and how to learn more about specific tax provisions and regulations. Additional resources will be added as they become available.

The blog, entitled **Health Care Business Pulse** (sba.gov/blog), will provide small-business owners with continuous updates about the implementation of the act. The blog is for informational purposes only and is not intended as legal or tax advice. Readers should consult their legal or tax professionals to discuss how specific matters relate to their individual business circumstances.

Kentucky Bank Welcomes Jim Elliott

**Senior Vice President &
Director of Wealth Management**

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BUSINESS BRIEFS

LOUISVILLE

■ Louisville-based **Summit Energy** is now operating under the name of its parent company, **Schneider Electric**, and will function within the newly created Schneider Electric Professional Services division. Founded in 1991 as a small natural-gas consulting firm, Summit has grown to encompass a team of more than 850 energy management professionals and has offices throughout North and South America, Europe, Asia and Australia. Schneider Electric, a global specialist in energy management and sustainability services headquartered in France, acquired Summit in 2011 in a \$268 million transaction.

■ **Oxmoor Center** is undergoing a multimillion-dollar redevelopment that will involve demolishing the existing food court area to make way for a more open environment and the addition of a soft play area for children and new seating areas, as well as new retailers and eateries. The project is scheduled to be completed later this year, in time for the holiday shopping season.

■ **KentuckyOne Health**, a nonprofit organization formed by the merger of Louisville-based **Jewish Hospital & St. Mary's HealthCare Inc.** and Lexington-based **Saint Joseph Health System Inc.**, has announced that it will establish its headquarters in downtown Louisville. KentuckyOne's network includes more than 200 locations in Kentucky and Southern Indiana and more than 13,600 employees. The organization plans to add 10 full-time jobs at the new headquarter operations.

■ The **city of Louisville** is purchasing a prime 30-acre tract of land in the western part of the city for \$1.2 million and plans to aggressively market it to companies looking to expand or relocate to the city. The property was previously home to **National Tobacco** and is currently owned by the state government. Louisville Mayor Greg Fischer said the site is located on a rail line, abuts the interstate and is "ideal and ready for development." "When we began to think strategically about how to make that happen, it was obvious that everything ties back to jobs. If we can create good jobs, that will improve the neighborhoods," Fischer said. "We're not looking for just any tenant. This is prime land and we want prime jobs that pay well. It's very unusual to have 30 acres ready to develop in the urban core of Louisville."



■ The **Louisville Metro Council** has unanimously given approval for financial incentives designed to help developers reopen **Kentucky Kingdom** by the summer of 2014. Among other stipulations, the commitment is contingent on the park creating 720 jobs, phased in over several years, beginning with 220 jobs in 2014.

■ **Jefferson Community & Technical College** has opened a Small Business & Entrepreneurship Center to house a new accelerated, four-month program designed to give potential entrepreneurs the skills they need to succeed. The full-time program is offered on a selective admission basis to individuals from all fields, and covers 16 college credit hours in four months, leading to a certificate in small-business management. Capping off the program is an 18-month mentorship program in which emerging entrepreneurs are partnered with a successful small-business owner or executive to help them craft and execute their business plan.

PADUCAH

■ **VMV Paducahbilt**, a provider of new and remanufactured locomotives and related products, is investing \$920,000 to expand its operations in Paducah. The project will include additional shop equipment, IT upgrades, phone systems and building repairs. The expansion will add 25 new full-time jobs to the existing staff of 144.

WOODFORD COUNTY

■ The **Woodford Fiscal Court** has granted final approval for a county planning ordinance that will allow for a restaurant at **CastlePost**, the Woodford County landmark that was converted to a luxury inn after decades of sitting unused. CastlePost has operated as an inn since 2008, but is currently only open to overnight guest or visitors attending special events there. The newly passed ordinance will allow for a restaurant that will be open to the general public.

MOREHEAD: ISC BARREL MAKER PLANS \$7.2M STAVE PLANT IN ROWAN COUNTY

INDEPENDENT Stave Co., a Missouri company that is one of the largest barrel manufacturers in the world, plans to build its fifth stave mill in Rowan County, according to *The Morehead News*.

In addition to producing staves – the wooden slats that are used to create barrels – for the company's barrel-making plants located around the world, the plant will also export the oak to an ISC subsidiary that will then sell the wood to cooperages in Europe, South America, Africa and Australia.

The company's decision to locate in eastern Kentucky is tied to an increased global demand for the white oak timber found in the region, ISC Marketing Director Teri Smith told the newspaper. The plant will purchase and process white oak lumber from Kentucky, Ohio and West Virginia.

ISC is buying 62 acres on which to build a \$7.2 million facility that will initially employ a staff of 45. That number is expected to grow to 70 within two years.

The plant will be operated by ISC subsidiary American Stave Co.



Independent Stave Co. is building a new mill in Morehead that will supply white oak lumber to its barrel-making plants around the world.

COVINGTON: RUSSIAN BOTTLE COMPANY TAPS KENTUCKY FOR FIRST U.S. PLANT

WESTPACK, a bottle decorating and packaging company based in Russia, is investing \$4.49 million to establish new manufacturing operations in Covington that will create 63 new full-time jobs.

Westpack is a new expansion of **UniPack Group**, a full-service glass container decorating and packaging company serving the alcohol beverage industry.

"With decoration plants in Russia and Europe, expanding into the U.S. market was a natural next step," said Simon Mnoyan, Westpack managing director. "And selecting the right state for our production was a function of customer logistics, business operating costs and quality of life. The Commonwealth of Kentucky provided and met all three requirements for our expansion."

The Covington facility will coat, print, stamp, etch and label glass bottles for use by the U.S. spirits industry. The company hopes to begin production by the end of March.

In addition to bottle decorating and packaging, the 126,000-s.f. facility will also be equipped to provide short-run decorations for special events and promotions.

"We are told that large companies, especially international companies, look for places that are known for their diversity and inclusiveness when establishing new locations," said Covington Mayor Sherry Carran. "Covington is gaining a reputation for those very desired characteristics, and I believe it is why Westpack chose Covington for its new manufacturing plant. Westpack locating here is a boost to the momentum we have been experiencing and a boost to our Latonia neighborhood."

LEXINGTON: NEW CENTER FOR INNOVATION IN U.S. EDUCATION WILL LAUNCH AT UK

THE University of Kentucky will be home to a new national education reform program that is being launched with funding from two of the country's leading foundations, the **Bill and Melinda Gates Foundation** and the **William and Flora Hewlett Foundation**.



Gene Wilhoit

The goal of the **National Center for Innovation in Education** will be to contribute to the national education reform agenda with a focus on ensuring that more states are adopting and implementing a standard definition of college and career readiness.

The new program will be directed by former Kentucky Department of Education Commissioner Gene Wilhoit, who most recently spent six years as director of the Council of Chief State School Officers in Washington, D.C. During his tenure at CCSSO, Wilhoit spearheaded the development and adoption by 45 states of the Common Core State Standards.

"As other countries are improving their education systems, too many American students are not being properly prepared in foundational subjects such as reading, writing, math, and science," Wilhoit said. "Nor are we paying sufficient attention to cultivating the skills students will need to thrive in a globally connected job market."

The Center for Innovation in Education will be housed at the UK Coldstream research campus. The center will work in close collaboration with other organizations, but will have its own executive team and funding structure.

BUSINESS BRIEFS

WURTLAND

■ **SunChemical** informed employees in early February of plans to close its Wurtland plant by mid-March, eliminating 30 jobs. The plant, which produces blue ink for printers, has been in operation for more than 20 years.

STATE

■ The **Kentucky Department of Agriculture** has launched two new programs aimed at helping Kentucky military veterans find jobs in agriculture and sell their farm products. **Kentucky Proud Jobs for Vets** connects veterans looking for work with farmers who need labor and is a strategic partnership initiative between the department and **USA Cares**, a Kentucky-based 501(c)(3) charitable organization that provides financial and advocacy support to military members, veterans and their families. **Homegrown by Heroes** is a new logo that identifies farm products produced by Kentucky veterans, providing an incentive for consumers to buy those products and for retailers to stock them.



■ **Kentucky's automotive industry** enjoyed a banner year in 2012, with annual production reaching more than 1 million vehicles for the first time since 2007. The figures put Kentucky fourth in the nation for total light-vehicle production, up from fifth in 2011. Kentucky is home to nearly 450 motor vehicle-related facilities that employ nearly 75,000 people.

■ More than 500,000 people visited **Kentucky Bourbon Trail** distilleries in 2012, the first time that the popular tourist attraction has broken the half-million mark since its inception in 1999. Visitors came from all 50 states and more than 50 countries to make the iconic Bluegrass journey. A **University of Louisville** study found that each person who completes the tour spends \$737 on average, resulting in an economic impact of more than \$32 million for the state over the last five years.



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PASSPORT
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INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

BUSINESS BRIEFS

INDIANA

■ **Horizon Financial Management**, a medical billing company, plans to expand its operations in Merrillville, Ind., creating up to 216 new jobs by 2016. The company is investing \$1.9 million to lease, renovate and equip a 20,000-s.f. space approximately two miles from its current working facility and will move its operations into the new space when construction is completed at the end of August. The company currently employs 60 people in Merrillville.

OHIO

■ **Milacron**, a global plastics company headquartered in Cincinnati, has agreed to acquire Toronto-based **Mold-Masters** for approximately \$950 million. The transaction will create a company that encompasses five businesses: Milacron (plastics machinery), Mold-Masters (hot runners), **DME** (mold base technologies), **Aftermarket** (parts and services) and **CIM-COOL Fluid Technology** (metalworking fluids and services). In a statement announcing the merger, the companies said that the combined entity will produce greater opportunities for global expansion. The transaction is expected to close by the middle of the year.

■ Cincinnati-based **Kroger** has ended its popular double coupon program at its 110 Greater Cincinnati and Northern Kentucky stores, but says it is taking the expense of operating the program and investing it into lower prices storewide. For example, a three-pound bag of onions that previously sold for \$1.99 is now 99 cents; the price for a 24-pack of Kroger bottled water has dropped from \$3.19 to \$2.48. The switch comes as more shoppers are utilizing digital coupons loaded to the store's customer loyalty card, which have never been subject to doubling. For now, the company does not plan to change the double coupon policy outside of the Greater Cincinnati/Northern Kentucky area.



TENNESSEE

■ **Huf North America** is investing \$20 million to add 52,000-s.f. to its existing plant in Greeneville, Tenn., where it produces automotive lock sets for clients that include **Volkswagen**, **BMW**, **Ford**, **Chrysler** and **GM**. The expansion will make room for a plastic injection molding and paint facility and will create 100 new manufacturing jobs.

■ After initially announcing that it would close its fruit spread plant in Memphis, the **J.M. Smucker Co.** has decided instead to convert the facility to a peanut butter manufacturing plant for its **Jif** brand. The Ohio-based company is investing \$55.6 million in the facility conversion and will add 65 new jobs to the current staff of 60.

■ **Schrader Electronics** is investing \$10 million to expand its plant in Springfield, Tenn. and plans to add 76 new jobs to support the expansion. Schrader is a pioneer in tire pressure monitoring systems (TPMS), a vehicle safety feature that is now standard on all cars and light trucks sold in North America, and is a leading supplier of TPMS sensors, valves, tools and training worldwide.

■ **Pinnacle Airlines Corp.** has announced that it will move its headquarter operations from Memphis to Minnesota after an extensive evaluation of the most cost-effective option as the company emerges from Chapter 11 bankruptcy. "We had the responsibility to explore every aspect of our business to find opportunities to reduce costs, including evaluating our property leases, to find the most economical options for Pinnacle," said Pinnacle President and CEO John Spanjers. "Our analysis covered everything from the available labor pool and operational alignment to economic incentives. Both Memphis and the state of Minnesota presented very strong cases. In the end, it was an economic decision."



The company currently has approximately 500 employees at its Memphis headquarters, but according to a report by the *Minneapolis Star-Tribune*, the company expects to move only 200 employees to Minneapolis. Tentative plans call for the move to Minnesota to be complete by May.

TENNESSEE: \$50M CANCER RESEARCH LAB IN ALCOA WILL CREATE 525 NEW JOBS

MEDICAL sciences company **ProNova Solutions** is building a new headquarters facility and research and commercialization lab in Alcoa, Tenn., that will create 525 new jobs in east Tennessee.

ProNova, in coordination with **Provision Health Alliance**, is developing next-generation proton therapy technology to treat cancer. According to ProNova, proton therapy has a number of benefits over other cancer treatments, including a decrease in tissue damage, fewer debilitating side effects and a lower incidence of secondary cancers from radiation exposure.

ProNova is investing \$50 million in the new facilities, which will include the construction of two buildings on 26 acres, built in phases over the next few years. The first phase will consist of a 30,000-s.f. two-story office and research building, with a 40,000-s.f. assembly and test area initially supporting 35 employees and growing to 110 by 2015.

Phase two will add a 120,000-s.f. two-story building with a projected staff of 110 in 2015, expanding to a cumulative total of 525 by 2018.

Provision broke ground in April 2012 on a \$119 million proton therapy cancer center in Knoxville that is expected to open in early 2014. The 90,000-s.f. facility will be able to treat 1,000 patients per year and will be integrated into the research program at the **University of Tennessee** to train future medical professionals.

OHIO: HUHTAMAKI BUYS FORMER FORD SITE FOR FOOD PACKAGING FACILITY

HUHTAMAKI, a global company that manufactures food packaging and tableware, has purchased part of the former Ford Motor Co. transmission plant in Batavia Township, where it plans to open a new converting facility and distribution center.

Huhtamaki expects capital investments at the site, which is located 25 miles east of Cincinnati, to exceed \$60 million over the next three years and will result in the creation of 237 jobs.

Huhtamaki North America is a leading manufacturer of consumer goods packaging as well as tableware, cups, folding cartons, containers, carriers, trays and serviceware for the foodservice industry and for the retail market under the Chinett brand. Huhtamaki North America employs approximately 3,300 people in 17 manufacturing sites, including plants in Franklin and New Vienna, Ohio. The parent company, Huhtamäki Oyj, has its head office in Finland.

Fred Betzen, vice president of operations for Huhtamaki North America said the open space configuration of the former transmission plant – which closed in 2008 – was "ideally suited" for Huhtamaki's needs, offering the space and infrastructure to meet production demands over the next several years.

Huhtamaki plans to begin production at the Batavia plant by the end of the year.

Huhtamaki photo



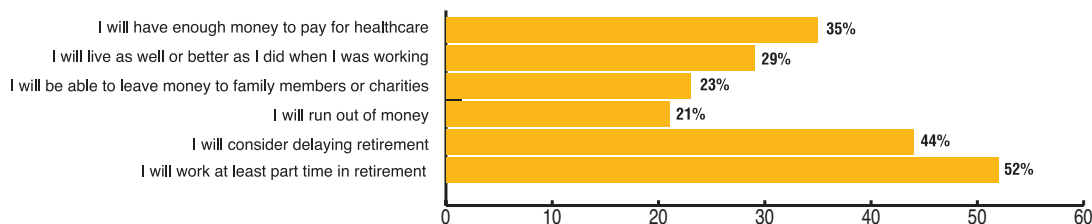
Huhtamaki's new Batavia Township, Ohio, plant will produce paper drink cups and distribute products made throughout the Huhtamaki manufacturing network.

NOT-SO-GREAT EXPECTATIONS

Majority are worried about their financial situation in retirement

A national survey of individuals who are active 401(k) participants found that while many are more hopeful about the future of the U.S. economy, they are not as confident about their own financial prospects for retirement.

Percentage of respondents who expect the following statements to be true in retirement Index



Source: Mercer

GOING GREEN

Golf Digest ranks Kentucky's best courses

A ranking of the commonwealth's best golf courses includes one that is also listed among the nation's best, as well as two state park venues that are open to the public.

1. Valhalla Golf Club, Louisville*
2. The Club at Olde Stone, Alvaton
3. Hurstbourne Country Club (Championship), Louisville
4. Louisville Country Club, Louisville
5. Big Spring Country Club, Louisville
6. Champion Trace Golf Club, Nicholasville
7. Dale Hollow State Park Golf Course, Burkesville**
8. Persimmon Ridge Golf Club, Louisville
9. Triple Crown Country Club, Union
10. Eagle Ridge Golf Course at Yatesville Lake State Park, Louisa**

*Ranked among America's 100 greatest golf courses

**Open to the public

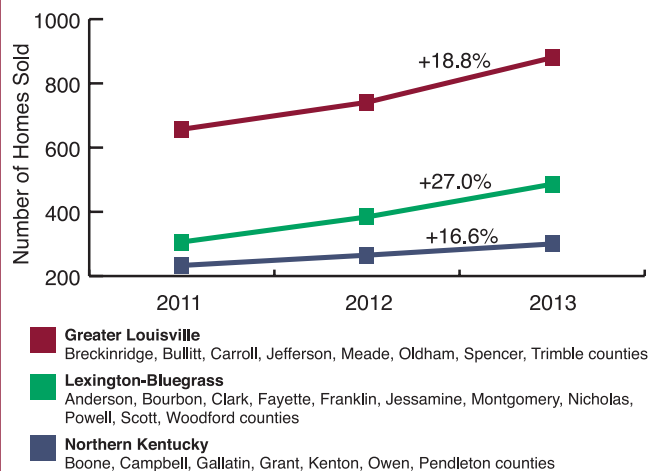
Source: Golf Digest

REAL ESTATE REBOUND

January sales in Kentucky's largest real estate markets

The residential real estate market in Kentucky got off to a good start in 2013, with the commonwealth's three largest markets logging double-digit increases in January over same month sales in 2012.

January Residential Real Estate Sales



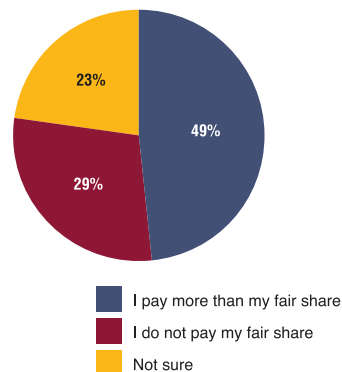
Source: Greater Louisville Association of Realtors, Lexington-Bluegrass Association of Realtors, Northern Kentucky Association of Realtors

A TAXING SITUATION

What's "fair" when it comes to taxes?

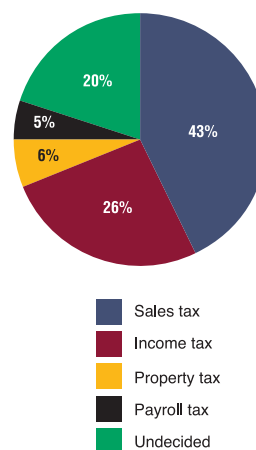
Much discussion has taken place in the political arena about Americans paying their "fair share" when it comes to taxes, so a recent Rasmussen Reports survey asked:

Compared to people who make more or less than you, do you pay more than your fair share of taxes?*



*Figures add up to more than 100 due to rounding.

Which type of tax is the most fair: income tax, sales tax, payroll tax or property tax?



Source: Rasmussen Reports

CORPORATE MOVES

New leadership for Kentucky businesses

ACCOUNTING

■ **David Bundy** has been named president and chief executive officer of Dean Dorton Allen Ford.



David Bundy

EDUCATION

■ **Eugene Krentsel** has been named associate vice president of research and innovation for the University of Louisville. **Craig Blakely** has been named dean of the School of Public Health and Information Sciences.

■ **Dr. Peter Gitau** has been named vice president for student affairs at Northern Kentucky University.

FINANCE

■ **F. Thomas (Tom) Howard** has been named partner and managing director at Commonwealth Economics, a Lexington-based financial advisory firm.



Tom Howard

FOOD SERVICE/HOSPITALITY

■ **Steve Higdon** has been promoted to vice president of global communications for Louisville-based Papa John's International Inc.



Steve Higdon

GOVERNMENT

■ **Kitty Watson Dougoud** has been named as the new statewide coordinator for the Kentucky Main Street Program.

HEALTHCARE

■ Baptist Health (formerly Baptist Healthcare System) has named **Stephen C. Hanson** president and chief executive officer. Hanson succeeds **Tommy J. Smith**, who announced his retirement last year.

■ Louisville-based Firstsource has named **David Strickler** as president and chief executive officer of its MedAssist Provider Group.

■ **Greg D. Gerard** has been named as president of Saint Joseph London, a KentuckyOne Health facility. Gerard previously served as president of Saint Joseph Berea.

INSURANCE

■ **George "Chip" Atkins** has been named chief executive officer for Louisville-based RH Clark Insurance Group, succeeding company founder **Robert Clarkson**. **Brad Cook** has been promoted to vice president of sales.

LEGAL

■ **Todd McMurtry** has been named as a partner/shareholder at the law firm of Gerner & Kearns Co., where he has assumed leadership of the firm's litigation practice group.

DEPARTURES

■ **Jeff Barber**, president and chief executive officer of the Owensboro Medical Health System, has announced that he will retire effective July 26.



Jeff Barber

■ **Chris Hermann**, senior vice president of energy delivery for Louisville Gas and Electric Co. and Kentucky Utilities Co., has announced that he will retire on May 1 after 43 years of service.

■ **Dennis Ciccotelli**, scrap market vice president for Walton, Ky.-based Steinert US, has announced his retirement effective May 31.

■ **Don Hellman**, Lexington market president for Chase, has announced that he will retire in April.

PHARMACEUTICALS

■ **Serge Martinod** has joined Louisville-based TNG Pharmaceuticals Inc. as chief executive officer and chief science officer.

UTILITIES

■ **Paul W. Thompson**, senior vice president of energy services for Louisville Gas and Electric Co. and Kentucky Utilities Co., has been named to the newly created role of chief operating officer.

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ON THE BOARDS

Kentuckians named to organizational leadership roles

AMERICAN HEALTH INFORMATION MANAGEMENT ASSOCIATION

■ **Susan W. Carey**, system director - health information management for Norton Healthcare, has been elected to the American Health Information Management Association's board of directors for 2013.

BLUEGRASS TOURISM MARKETING ASSOCIATION

■ The Bluegrass Tourism Marketing Association has elected its board of directors for 2013: President – **Eli Mertens**, TravelHost of the Bluegrass; Vice President of Membership – **Windy Lane**, Hyatt Place Lexington; Vice President of Programming – **Kristie Woodrum**, Hilton Suites Lexington Green; Secretary – **Amy Sellin**, Zipline Tours of Red River Gorge; Treasurer – **Bill Marshall**, Inn on Broadway; Directors-at-Large – **Kelly Bates**, Commerce Lexington; **Becky Trimble**, Lexington Center Corp.; **Tiffany Yarborough**, Avis Rent-a-Car of Lexington; **Lisa Jackson**, Kentucky Horse Park; and **Kelly Karbowicz**, TravelHost of the Bluegrass.



Eli
Mertens

COMMERCE LEXINGTON INC.

■ Commerce Lexington Inc. has announced its executive board and board of directors for 2013: Chair-Elect – **Danny Murphy**, University of Kentucky College of Law; 2012 Chair – **Jeri Isbell**, Lexmark International Inc.; Immediate Past Chair – **Harry T. Richard III**, PNC; Treasurer – **Laura Boison**, U.S. Bank; General Counsel – **Kenneth R. Sagan**, Stites and Harbison; Secretary – **Robert L. Quick**, Commerce Lexington Inc.; Vice Chair, Business and Education Network – **James Hardin**, Fayette County Public Schools; Vice Chair, Communications – **Nancy Wiser**, Wiser Strategies; Vice Chair, Economic Development – **Job D. (Darby) Turner**, Bingham Greenebaum Doll; Vice Chair, Leadership Development – **Herb Miller**, Columbia Gas of Kentucky; Vice Chair, Marketing and Members Services – **Blair Boggs**, Ashland Inc.; Vice Chair, Community and Minority Business Development – **Larry Forester**, Community Trust Bank; Vice Chair, Public Policy – **Barry Mayfield**, East Kentucky Power Cooperative; Business and Education Network, At Large – **Tucker Ballinger**, Forcht Bank; Regional and Agricultural Representative – **John Mahan**, Mahan Farms; LFUCG Representative – **Kevin Atkins**, Lexington-Fayette Urban County Government; At-Large Representatives – **David Freibert**, Kentucky Utilities Co., and **Karen S. Hill**, Central Baptist Hospital.



Danny
Murphy



Kenneth
Sagan

HOSPICE OF THE BLUEGRASS

■ Hospice of the Bluegrass has announced its board officers for 2013: Chair – **Woodford Webb**, The Webb Companies; Vice Chair – **Mark Nabity**, Grayhawk LLC; Treasurer – **Jen Shah**, Dean Dorton Allen Ford PLLC; and Secretary – **Eric Frankl**, Blue Grass Airport.

KENTUCKY DISTILLERS ASSOCIATION

■ The Kentucky Distillers Association has announced its officers and board of directors for 2013: Chair – **Rick Robinson**, Wild Turkey Distillery; Vice Chairman – **Joe Fraser**, Heaven Hill Distilleries Inc.; Secretary-Treasurer – **Andrea Wilson**, Diageo North America; and board members **Chris Morris**, Brown-Forman; **John Rhea**, Four Roses Distillery; and **Jeff Conder**, Beam Inc.



Rick
Robinson

KENTUCKY HISTORICAL SOCIETY FOUNDATION

■ The following individuals have been elected to serve as officers of the Kentucky Historical Society Foundation, a nonprofit organization that provides financial support to the Kentucky Historical Society: President – **Dennis T. Dorton**; First Vice President – **Bosworth M. Todd**; Second Vice President – **Ann Rosenstien Giles**; Treasurer – **Buckner Woodford IV**; and Secretary – **Kent Whitworth**. Board members include: **Bruce Cotton**, **James T. Crain Jr.**, **Thomas P. Dupree Sr.**, **Jo M. Ferguson**, **John Greenebaum**, **Frank Hamilton**, **Jamie Hargrove**, **Raymond R. Hornback**, **Elizabeth Lloyd**, **Libby Jones**, **James C. Klotter**, **Nancy Lampton**, **Crit Luallen**, **Margaret Patterson**, **Robert Rich**, **Warren W. Rosenthal**, **James Shepherd**, **J. David Smith**, **Charles Stewart**, **John P. Stewart** and **William Sturgill**.

KENTUCKY STATE FAIR BOARD

■ The Kentucky State Fair Board has elected officers for 2013: Chair – **Mark Lynn**; Vice Chair – **Mike Libs**; and Secretary-Treasurer – **Clifford "Rip" Rippetoe**.

KENTUCKY UNEMPLOYMENT INSURANCE COMMISSION

■ Gov. Steve Beshear has appointed **Jon W. Ackerson** to the Unemployment Insurance Commission. Ackerson, of Jeffersonton, is an attorney and will represent employers.

LEADERSHIP KENTUCKY

■ Leadership Kentucky, a statewide leadership development organization, has announced its 2013 board of directors. The executive committee includes: Chair – **Timothy Rutledge**, Brown-Forman Corp., Louisville; Immediate Past Chair – **Jim Conn**, Commercial Door and Hardware, Paducah; Chair-Elect – **Deborah Moessner**, Anthem Blue Cross Blue Shield, Louisville; Secretary – **Lytle Thomas**, Heritage Bank, Burlington; Treasurer – **Charles Beach III**, Peoples Exchange Bank, Beattyville; Finance Chair – **Barbara Dickens**, Louisville Water Co., Louisville. Reappointed members include: **Dan Bork**, Lexmark International Inc., Lexington; **Mary Michael Corbett**, Norton Healthcare, Louisville; **Regina Jackson**, English, Lucas, Priest and Owsley, Bowling Green; **Rob Samuels**, Maker's Mark Distillery, Louisville; and **Elmer K. Whitaker**, Whitaker Bank Corp. of Kentucky, Lexington. New executive committee appointments include: **Jim Booth**, Booth Energy, Lovely; and **Teresa Trimble Hall**, D.C. Trimble Inc., Somerset. New board members include: **Sherry Craig**,

KentuckyOne Health, Louisville; **Marya Johnson**, Brown-Forman Corp., Louisville; **Maurie McGarvey**, Paducah Bank and Trust Co., Paducah; and **Ron Wilson**, Western Kentucky University, Bowling Green. Returning members include: **Claire Alagia**, Bittners LLC, Louisville; **Rich Alloo**, Toyota Motor Engineering and Manufacturing North America, Erlanger; **Jackie L. Banahan**, Jackie L. Banahan DMD, Lexington; **Jeffrey Bringardner**, Humana Inc., Louisville; **Lisle Cheatham**, City of Greensburg; **Barton Darrell**, Warren County Board of Education, Bowling Green; **Mark Gillingm**, Messer Construction Co., Louisville; **C. Tyson Gorman**, Wyatt, Tarrant and Combs, Louisville; **Pam Helton**, Kentuckians for Better Transportation, Louisville; **Judy "JD" Jackson**, University of Kentucky, Lexington; **Rob Lauber**, Yum! Brands Inc., Louisville; **David Ledford**, Boneal Inc., Means; **John Malloy**, LG&E-KU, Louisville; **Darrell Maynard**, Eastern Telephone and Technologies, Pikeville; **David McFaddin**, Eastern Kentucky University, Richmond; **Francis O'Hara**, Kenton County Public Schools, Ft. Wright; Gov. **Paul E. Patton**, University of Pikeville, Pikeville; **Jeffery Taylor**, Tennessee Valley Authority, Hopkinsville; **Neil Thornbury**, T. J. Samson Community Hospital, Glasgow; **Michael Williams**, Blue Grass Energy, Nicholasville; **Ranie Wohnhas**, Kentucky Power Co. (AEP), Frankfort; and **Angela Woodward**, Elizabethtown.

LEXINGTON-BLUEGRASS ASSOCIATION OF REALTORS

■ The following individuals have been named as 2013 officers for the Lexington-Bluegrass Association of Realtors: President – **Al Blevins**, Caswell Prewitt Realty Inc.; President-Elect – **Linda Wiley**, Keller Williams Bluegrass Realty; Treasurer – **Betty Musselman**, RE/MAX Creative Realty; and Treasurer-Elect – **Chip Diehl**, Prudential A.S. de Movellan. The board of directors includes: **Ty Brown**, Weichert Realtors Bluegrass; **Shirley deBoor**, Keller Williams Bluegrass Realty; **Donna Ensminger**, Prudential A.S. de Movellan; **Kristy Gooch**, RE/MAX Elite Realty; **Mike Gooch**, Gooch Auction Group; **Tara Hayes**, Rector-Hayden Realtors; **Todd Hyatt**, Lois Ann Disponentte Real Estate; **Lura Justice**, Rector-Hayden Realtors; **Mary Anne Simmons**, EXP Realty LLC; **Carl Tackett**, Coldwell Banker McMahan; **Missy Winchell**, RE/MAX Creative Realty; and **Kay Wright**, Rector-Hayden Realtors.



Al
Blevins



Linda
Wiley

NATIONAL COLLEGE TESTING ASSOCIATION

■ **Cynthia Sproehnle**, director of the assessment center at Gateway Community and Technical College, has been appointed to serve as a director of the National College Testing Association.



Cynthia
Sproehnle

LANE ONE-ON-ONE

Kentucky's leaders express their opinions



Jim Booth

James H. Booth is president of Booth Energy, a Kentucky-based conglomerate coal group. Booth began his career in coal mining operations while still at student at Morehead State University and partnered to start his first contract mining operation in 1975. He has since added numerous mining operations in Eastern Kentucky and West Virginia that supply electric companies throughout the eastern United States. Booth has also developed an extensive network of retail operations and real estate holdings over the years. He was recently elected chairman of the Kentucky Chamber of Commerce, is past chairman of the Morehead State University Board of Regents and has served on the boards of the University of Pikeville and the Big Sandy Industrial Authority Board, among others.

'HARD WORK AND SERIOUS COMMITMENT IS THE BEST RECIPE FOR SUCCESS'

Jim Booth discusses how he turned a part-time college job in mining into Booth Energy Group

BY ED LANE

Ed Lane: You grew up in Beauty, Ky., in Martin County and now live in Inez, the county seat. You attended Warfield High and Morehead State University, graduating in 1971. To pay your way through college, you worked part-time at Wolf Creek Collieries as a miner, and after graduation worked there full-time in management four more years. In 1975, you and partners Roy F. Collier and Leonard Runyons started Thelma Coal Co. as a contractor for Island Creek Coal Co. Due to good management practices, your first mining investment was very successful and helped launch your firm's growth. Reflecting on your last four decades, how would you describe the success you, your partners and business associates have created?

James Booth: I've been very fortunate. Each of my partners was able to bring something to our first group. Leonard was the executive type, really close to retirement; Roy is 20 years my senior and an electrician repairman; and I had been the mine foreman of a fairly large mine. Roy's and my skills were the main ingredients it took to make the mine successful. I managed production and the men; Roy kept the mining equipment operating. At our first mine, we paid \$1 per ton to lease the equipment that was owned by Island Creek Coal Co. When we started in 1975, the equipment was 1960 vintage. Leonard's

experience helped us develop a good relationship with our employees and to find experienced and qualified men for the work. We made a great team.

EL: You operated smart, kept your equipment in good repair and managed your workforce. Were you paid by production?

JB: Yes, we were paid per ton by Island Creek to deliver the coal to their preparation plant. Soon, we became the production leaders in this group because our team was so strong. We mined it out in about four years and moved to another operation. Roy and I became partners in the next new mines, and Leonard retired. Going forward, we decided to diversify into retail and bought a building supply business. Through operating it, we started building our own rental properties and signed a lease with the U.S. Post Office.

EL: Was your plan to reinvest the profits you were making from mining?

JB: We were not making a lot of profit when we first started. We were being successful in mining and handling a lot of money, but the federal tax rate was 70 percent and we were really struggling to accumulate cash or profits. I paid \$1 million in income tax when I was 27 years old (I started when I was 25). Until Ronald Reagan became president and adjusted the federal income tax

system, we were not really growing. By 1984, I could really see the effect of not having to pay such a high tax rate. Our profits were accumulating, so we built our first Fast Lane Convenience Store; the company now has about 30 locations.

EL: Was most of your business contract mining, or did you purchase mineral rights?

JB: It was all contract mining with Island Creek, Mapco and United Coal. Our mining business was successful and making profit. In 1987, we had the opportunity to sign a lease with Ashland Coal, which became Arch Coal, and ended up with a property in Johnson County. We built a preparation plant and started marketing, selling and trucking our own coal.

EL: Over the years you have developed a conglomerate coal group known as Booth Energy Group. Recently your company and River Trading Co. entered into a 25-year, \$7 billion contract to sell coal to India's Abhijeet Group. How is this deal progressing?

JB: I am not comfortable with the export relationship at this point in time. I do believe that we will export more coal to India, but we're also looking at other opportunities. In 2012, my company sold about 6 million tons of coal. Typically, in prior years, Booth Energy mined 8 million tons annually. Because of regulations and permit issues, we will likely mine less coal in 2013 than we did last year.

Our costs have gone up and our tons per man-hour have decreased due to regulations and permitting. On the surface-mining side, we are trucking our overburden because now we don't put material in hollow fills. In prior years when I was mining 8 million tons, my tons per man hour was significantly higher than it now is. My cost prior to 2000 was about \$25 a ton; my cost today is \$70 a ton. When the price of coal skyrocketed, it was bad for the mining industry because it caused our labor market to shrink and reduced the availability of equipment and supplies. Everything got more expensive, and costs went up really fast.

Now that price and demand for coal is shrinking, our mines are getting substantial competition from the Illinois Basin. It is difficult for mines in the Central Appalachian region to achieve prices and costs that are competitive. If I sold a spot ton of coal today it would average about \$65. I do have some mines that have lower costs than \$65. What drives up averages is the higher cost of surface mining. Most people think the cost of surface mining is lower, but typically underground mining is less expensive.

Continued on page 20

PERSONAL SERVICE IS NOT A THING OF THE PAST.



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Continued from page 18

EL: Logistically how will coal be delivered to India, and is the buyer responsible for the shipping costs from a certain location or U.S. port?

JB: We have already shipped coal to India using two different methods. We own a barge-loading facility on the Big Sandy River at the Wayne County River Terminal. We load coal on a barge and ship it to New Orleans, where it's transloaded onto a vessel. If by rail, we typically ship on the Norfolk Southern Railroad to Lamberts Point in Norfolk, Va., which is the facility that transloads to ships.

EL: Are shipping costs and the cost per ton of coal adjusted over the 25-year contract?

JB: That is correct. Typically, in our deal with India we receive a FOB (freight on board) price at our loading point. A barge handles 1,600 tons; there is usually one tug. Then when it goes to the vessel, (loads) will either be as small as 60,000 tons or as large as 100,000 tons.

EL: How many layers of governmental approvals were required to finalize the export deal?

JB: So far, the coal buyer has handled the bureaucracy. The Abhijeet Corp. is actually a U.S. company located in New Jersey. They have handled the transportation permits and the entire export/import situation.

EL: A recent newspaper article indicated the cost per exported ton is \$65, but you are actually selling it for \$45 a ton.

JB: That's not accurate. The concept from the very beginning was to negotiate the price on each shipment. So we are typically selling coal at market rates.

EL: What are positive and negative issues of this long-term export sales agreement?

JB: I have made sure Booth Energy didn't get obligated in any way that could be detrimental to the company. It's an expanding opportunity that I will use in the best interest of my company as long as it is a reasonable and profitable strategy.

EL: State coal severance taxes collected in the first half of FY13 (July 1-Dec. 31, 2012) are down about 25 percent. What factors are depressing coal sales?

JB: The market is depressed by at least 25 percent, and it could be as much as 33 1/3 percent. My logic for that estimate is that we've lost about a third of our coal miners in the Central Appalachian Kentucky region. There are 5,000 fewer coal miners today than there were last year. Last year, Kentucky had 18,000 miners; there are now 13,000. West Kentucky coal basin employment remained stable, so all the

employees lost in the Central Appalachian region were in Eastern Kentucky.

EL: Does job loss have to do with the grade of coal?

JB: No. It's all about cost. What happened is, the Obama administration intentionally – publicly, no secrets – has targeted the Central Appalachian region on which to enforce more stringent regulations. Eastern Kentucky and all of West Virginia, Pennsylvania, Tennessee and Virginia have seen tremendous regulation enforcement and more issues with permitting. The Illinois basin has benefitted from not having strict enforcement like that affecting the Central Appalachian region. The cost of mining coal in the Illinois Basin is about \$30 a ton, and the cost of mining coal in our region is about \$70 a ton.

What has really changed the market demand for Illinois Basin coal versus Central Appalachian coal is the fact that scrubbers have been put on coal power-generating plants, so there's really no serious advantage now for a utility to need low-sulfur Central Appalachian coal. Now they can use the 3 percent and 4 percent sulfur coal that comes out of the Illinois Basin. In fact, there may be an advantage to have sulfur in the coal when using the scrubber.

EL: Having actually worked as a coal miner, could you address mine safety enhancements initiated over the last two decades to help protect miners?

JB: When I started (around 1975), the conventional mining method utilized cutting machines to undercut the coal; drilling and explosives were used to blast the coal. This is the underground process. Shortly after I started, the continuous miner (a revolving-head cutter that extracts coal from a seam face) was introduced. The machine replaced men and provided a dust-scrubbing system called a wet-bit scrubber. A big fan system with water flowing through pulls the dust through the scrubber, and when the air exits the other end the dust is diluted. Coal dust is what causes black lung disease. We've made huge strides in reducing the dust levels in coal mines. The mine inspectors are doing a better job, and we do have strict enforcement. The fact that inspectors are regularly in a mine is a good thing.

When I first started, roof bolters didn't have an automatic temporary roof support system (ATRS). The guy was just out on his own and set jacks by hand. Today, everything is automatic. With a push of a button an ATRS goes up against the roof, and it will hold any rock. You very rarely hear about coal miners getting hurt anymore. It used to be much more unsafe.

Technology has improved and miners have wireless communications underground. Our coal miners carry a cell phone, and they can talk and communicate with the surface. We know where every miner is at all times from the office to the outside. There's been vast safety improvement. Improvements have something to do with the cost. Safety enhancements are the most significant part of the increase in operational costs.

EL: How do emergency shelters work?

JB: Within 1,000 feet of mine sections in which miners are active, a shelter is provided that would support 20 miners for 96 hours with food, water, oxygen and medical supplies. Mines have primary and secondary escape exits. Self-contained self-reserves (SCSR) are stored every 5,700 feet along each rescueway for use by miners in an emergency. The distance between the SCSRs is closer if the height of the mine opening does not permit miners to walk erect. We provide shelter in all underground mines; it doesn't matter if it's a large or small mine.

EL: Does your firm have full-time safety management?

JB: Yes, there is always safety management on a site. At Booth Energy, I have a safety director, and he has people who report to him. His inspectors go to and inspect each mine. We try to continually inspect to make sure we don't have operating violations. We have rescue teams located within an hour drive of any mine. Our teams are well trained, do regular practices and enter competitions.

EL: What type of safety training exercises are available?

JB: Kentucky Employers' Mutual Insurance safety competitions have been really good for Kentucky. The safety meets are almost like a sports event, and everybody gets excited about the competition. The men get awards if they perform well. They are given a task and that is how they are judged. The competition is a good thing because, in the end, if we have a disaster we're well prepared.

EL: What is your opinion about surface mining?

JB: Surface mining has been good for my community. Where I live, there is no flat land naturally. Because of surface mining, Martin County has an airport, an industrial park and a federal prison, and some wildlife – elk and wild turkey – with great hunting in the area where it never was available before. Under today's rules, miners are not creating flat land because we're not allowed to fill in the heads of the hollow. That has stopped us from making flat land, and that's a negative. The people who are

against mountain top removal have not been able to see its economic importance for the region. It is very important that we are able to create usable land for the future.

EL: At a time when business conditions are lethargic, as a successful entrepreneur, what advice would you give to young business people who are coming into the work force?

JB: It is really important to evaluate the market on which you are concentrating. Know that you cannot be too aggressive and start whatever business you're focused on without doing at least a crude market study. I've seen failures because an idea was not thoroughly evaluated to make sure it had the potential to be successful. If you are thinking about anything that is in sales, manufacturing or in a service, you need to make sure you are a good team builder and you can provide financial and experience support. Looking back at the things I've done, I've made lots of mistakes, but I've generally had a targeted market in which I wanted to invest.

It's good to focus on or target your career interest. Timing is critical. There are times – regardless of how badly you want something to work or how hard you work – when the odds are against you; you might not be able to make an idea work. But I do know that hard work and serious commitment is the best recipe for success. I've always said that it doesn't matter what you do if you do it the very best you can. Do your best, and the likelihood of success increases.

EL: Have you ever made a major blunder in business?

JB: I've definitely been involved in some losing coal mining propositions. It ends

up that the cost per ton to extract the coal is too high. In general, I've usually managed to survive during the bad times by diversification. By having strong retail units (Fast Lane Convenience Stores), even when times that the coal industry got tough I was able to raise capital and invest in new ventures.

EL: You have been a strong supporter of Morehead State University and serve on its board of trustees.

JB: I'm still on the MSU board, but I term out this year. I've served two terms, and my 12th year ends in June. I've served the four-year maximum allowed for board chairmen. I was also fortunate to chair the selection committee that hired (current MSU President) Dr. Wayne Andrews. He was a great hire.

EL: Do your companies provide educational benefits and special training for their employees?

JB: Booth Energy typically provides 15 scholarships to graduating seniors from Sheldon Clark High School in Martin County, and I have an educational company – the United States Achievement Academy in Lexington – that has contributed over \$1 million in scholarships to honor students since 2001.

EL: You are the current chair of the Kentucky Chamber of Commerce. The chamber has been promoting the "leaky bucket" campaign, which highlights major financial weaknesses in the state's fiscal policies. Could you comment on the state's pension and retirement fund, which is estimated to be underfunded by \$33 billion?

JB: I am very concerned. Pension and healthcare underfunding is a serious problem. Our governor and legislators realize

that. I also served on the Blue Ribbon Tax Commission that the governor established and is chaired by Lt. Gov. Jerry Abramson. In my opinion, Lt. Gov. Abramson was an effective leader of the commission. Through its work, the commission is recommending ways to generate more revenue to invest in education. The commission was not interested in growing government.

EL: Are you in favor of a local-option sales tax for cities and counties?

JB: I am as long as the legislation is term-limited.

EL: A well-known quote states, "Behind every successful man is a great woman." How has your wife Linda helped in your business and civic endeavors?

JB: Linda and I will have been married 45 years this June. Coincidentally, I was born in Beauty, Ky., and Linda was born in Lovely, Ky. We have nine grandkids. She is the best "Nana" and wife in the world. There are a lot of times when I'm working away from home, and she has been able to keep everything on task. She has been a full-time mom and housewife. Now she also is an interior decorator. She is really talented, and she often helps design the lobbies in our hotels. In fact, one of my partners bought a 12,000-s.f. house and Linda actually designed the trusses on the roof and decorated the entire house. She's a very strong Christian lady and is really the rock in our family. ■



Ed Lane (edlane@lanereport.com) is chief executive of Lane Consultants, Inc. and publisher of The Lane Report.



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Kentucky's largest and oldest venture club is Venture Connectors in Louisville. At a recent monthly meeting were, from left, Paul Moses of Purdue Research Foundation, board member; Suzanne Bergmeister of Sunflower Business Ventures, president; and Robert Brown of Bingham Greenebaum Doll, chair.

ber hosted 70 people from Nelson County, all very interested in learning about the venture club concept," Huston said. "If half those people choose to be charter members of the club, I will consider that an excellent start."

The Bardstown effort is an example of how groups in the state are reaching out to one another to help capital flow to those with innovative ideas and solid business plans.

"The Lincoln Trail Venture Group is a true success story and has been gracious to instigate this project and welcome Nelson County with open arms," Huston said. "With the guidance of their members and their investment experience, I feel strongly that the Nelson County Venture Club will be investing in some great, innovative projects in 2013."



Kim Huston, President, Nelson County Economic Development Agency

Seasoned business veterans such as Mo Miller, a retired commercial stockbroker, are part of the reason for Lincoln Trail's success. Miller runs several businesses in the Elizabethtown area, primarily Stone Works Inc., a natural stone fabricator.

"I was raised in Elizabethtown but left after college," Miller said. "I lived all over the United States and was in Philadelphia for a long time."

When he moved back to the area 10 years ago, Miller knew he had knowledge to share. He saw that Kentucky was severely lacking in venture capital compared to the East Coast and became one of the original founders of the Lincoln Trail Venture Group. He is vice chairman of its eight-person investment committee.

"It was pretty evident that a key element of economic development would be to have a group or a club that would be committed to providing venture (funding) to startup companies," Miller said. "The value of that would be for those companies to be located in our region, which would bring jobs to the area."

Lincoln Trail members may back a business individually, Miller said, or the group as a whole can decide to invest after a thorough vetting process, much of which is done by the Bowling Green Innovation and Commercialization Center.



Mo Miller, Member, Lincoln Trail Venture Group

Start-up Funding Seeds Sprouting

Venture club know-how growing thanks to neighborly attitudes and Kentucky Innovation Network support

BY ABBY LAUB

KENTUCKY entrepreneurship boosters are making progress toward building an funding-investment network to help start-up company founders find money from individuals and groups willing to place bets on innovative business ideas.

Public and private efforts are creating a base of expertise with state government's Kentucky Innovation Network – an improved, expanded and rebranded version of its Innovation and Commercialization Center program – as well as community-based venture clubs, which are spreading outside the largest cities. Neighborly cooperation often plays an important role.

The decade-old Lincoln Trail Venture Group in Elizabethtown is the model for a fledgling Nelson County Venture Club that has drawn interest from young entrepreneurs, retired corporate leaders and governmental leaders.

"The idea actually came to us from our friends in Hardin County," said Kim Huston, president of the Nelson County Economic Development Agency in Bardstown, where Kentucky's newest venture club is forming. "We participate in many regional projects together, and they thought because of our economic vitality and significant growth that we were primed for a club of this type in Nelson County."

"I was pleasantly surprised that our first informational meeting in Decem-

Venture Connectors photo

Kentucky Innovation Network

LOCATION	DIRECTOR
Ashland	Mick Fosson
Bowling Green	Doug Rohrer
Covington	Casey Barach
Elizabethtown	Lisa Williams
Lexington	Warren Nash
London	Bill Schutters
Louisville	Tendai Charasika
Morehead	Johnathan Gay
Murray	Loretta Daniel
Owensboro	Madison Silvert
Paducah	Ian Blache
Richmond	Kristel Smith
Williamstown	Naashom Marx

Contact local ICC directors via kyinnovation.com

The Bowling Green ICC began in 2002 as a result of the Kentucky Innovation Act of 2000 and is housed at the Western Kentucky University Center for Research & Development. The director of the ICC's satellite office in Elizabethtown, Lisa Williams, is working closely with Nelson County.

Like other ICCs across the state, Williams' office helps coach and prepare entrepreneurs before they head to their first venture club meeting so people like



*Lisa Williams,
Director, ICC
Satellite Office,
Elizabethtown*

Miller get properly prepared and focused "elevator pitches" to assess.

"The great part for the members/investors of the venture group is that the clients that I bring to them each month have been screened, coached and due diligence has been performed," Williams said. "Sometimes these presenters have already received a grant, and KSTC has performed a very intensive screening."

KSTC is the Lexington-based Kentucky Science and Technology Corp., a 25-year-old private nonprofit that promotes innovation-focused entrepreneurship and economic development.

Funding groups approach start-up investment in various ways, Miller said, but typically in the "venture capital arena, certainly for 'angel' investors, our maximum investment is about \$50,000."

The Lincoln Trail group also sponsors entrepreneurial programs and series through WKU and stays involved in the community, Miller said. It eagerly makes in-kind investments in educating and mentoring young business people, which provides a non-monetary payoff that members value.

"It's a pretty good feeling, quite frankly, just to be able to sit down with people and talk through the mechanics of starting a business," he said.

There is often a financial payback, too, however. According to Williams, Lincoln Trail at one point was in the



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Filling gaps in a transitioning economy

There is much more work to do statewide, Miller said, to get past Kentucky's traditional status as a "flyover state" with paltry private venture capital investment.

"We continue to have a state that is in a transition from an agrarian economy to a light-industry economy," Miller said. "By and large the mindset is still somewhat agrarian and, as you know, farmers are the most independent people in the world. Now all of the sudden you have to go to work and be a team member and accept realities. That's not an easy transition, and that's a generational thing. I think we're still an emerging economy."

Education in the commonwealth needs continued improvement, and a broader approach is needed for cultivating and promoting start-ups.

"We leave out vast areas of the state," Miller said. "We focus on Jefferson County, Northern Kentucky, the Lexington area and just somewhat in the western part of the state – and nothing in the far eastern part of the state. So we have these pockets."



Gene Fuqua,
Executive
Director,
Kentucky Office
of Commercial-
ization and
Innovation

Good things are going on around the state, said Gene Fuqua, executive director of the Office of Commercialization and Innovation, which leads the Kentucky Cabinet for Economic Development's efforts to create innovation-based business. He likes the recent push to upgrade and rebrand what now is the Kentucky

Innovation Network, whose Innovation and Commercialization Centers and their satellites are "working on the ground." Fuqua also mentioned the Commonwealth Seed Capital fund and various local business incubator networks, adding, though, that much more needs to be done.

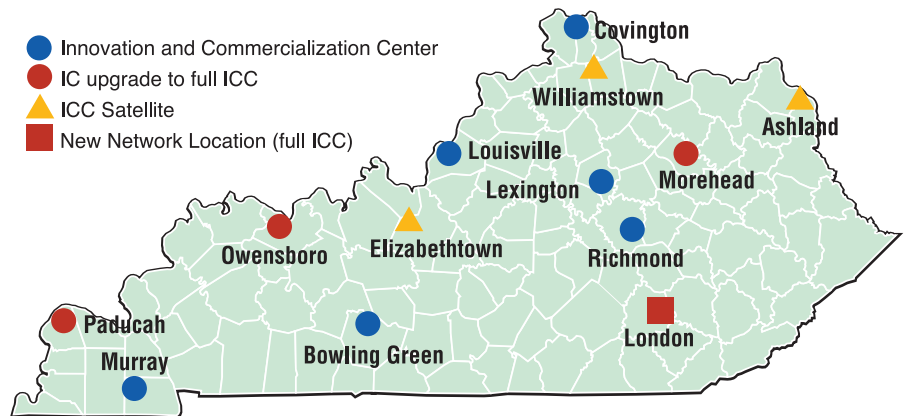
"We are still very low in venture capital availability here in the state," he said "It will get better over time. There has been a big contraction in the whole country, and not a lot of people are investing."

Kentucky has typically been considered a "fly-over state" because most venture capital investment is by large investor funds on the East and West Coast who simply won't consider projects outside the top U.S. financial centers. But Fuqua said there are good things going on in the state in the way of innovation and angel networks.

"I just think people have a good attitude in Kentucky," he said. "I think you have to stay optimistic and work hard."

Louisville is becoming a global cen-

Kentucky Innovation Network



ter for long-term care in the healthcare industry, Fuqua said. Lexington is starting to develop a video-gaming business cluster, and Northern Kentucky last year launched its UpTech initiative, with a funding component, to recruit and support start-up companies at the NKU College of Informatics.

"I think we're doing very well," he said. "Kentucky's known for a lot of things and is thought to be a good place to do business. I think we've got a good workforce, a good location and a pro-business climate."

Venture clubs create support networks



Robert Brown,
Chair, Venture
Connectors

Venture clubs date back nearly 20 years in Kentucky. Founded in 1995 as the Louisville Venture Club, today's Venture Connectors averages about 150 people per month at its meetings, said Robert Brown, its chair.

"The key to our success is we're sort of the networking place," he said. It invites high school and college students on a regular basis. "We're one of the best shows around, even larger than the Cincinnati and Indianapolis venture connectors."

Brown got involved 10 years ago when he moved back to Kentucky from venture-intensive Silicon Valley in California. He noticed a lack of education and networking.

"I think the underlying issue is critical mass, getting everyone together," Brown said. "But entrepreneurs didn't know where to go. They didn't know who was investing, who was funding."

At Venture Connectors there is an emphasis on reminding innovators that people are getting funded and that "there is money in Kentucky," he said. On the other end, the challenge is put forth to investors to continue to put

money back into the state and invest in promising new ideas.

Williams said Lincoln Trail is great simply for its support network.

"Our venture club is different than probably any other around the state that you're going to find," she said. "Our club has a pool, a fund, that (members) put together. Each member is in for \$10,000. So they have a pool already, and they have the board and it makes the decisions on whether they're going to invest in the company."

People who present to the club are always given feedback, positive or negative, Williams said. It is similar to the "Shark Tank" TV show, she said, "except our sharks are a lot nicer."

"Another thing about our club: it's always looking to create jobs," she said. "They're looking to make money just like any angel investor, but creating jobs is always foremost in their minds."

Williams gets calls from people around the state interested in presenting at clubs or who want to talk about starting new clubs. She helps people pursue seed-money grants and entrepreneurs organize into groups of angel investors or venture capitalists.

Most investments are made in high-tech companies, medical devices, smart phone applications and software programs, Williams said. In 2012, the Kentucky Innovation Network made \$127 million in private investment, she said.

Investment figures and the success rate Lincoln Trail has had with start-ups vetted by her office prove the value of innovation support activities, said Williams, who wants to see the number grow.

"We work with entrepreneurs, inventors and start-up ventures and have been doing so since 2002," Williams said. "We work to help them turn their good idea into a business venture. We assist in various ways – connecting them to patent attorneys, marketing profes-

sionals, prototype builders, etc. We help seek and secure funding to get their ventures off the ground.”

Northern Kentucky participates in the Greater Cincinnati Venture Association, which dates to 1985. Casey Barach, director of the Covington ICC, is a former president of that group.

The Lexington Venture Club founded in 2002 brings together entrepreneurs, service providers and investors. The club itself does not offer funding or grants, but it does give entrepreneurs access to potential investors, new ideas and businesses to network with.



Warren Nash,
Director,
Lexington
Innovation and
Commercial-
ization Center

“The Lexington Venture Club is one of the many assets supported by Commerce Lexington, the University of Kentucky and the (Lexington-Fayette Urban County Government) that provides a great forum for entrepreneurs, investors and those people who support their efforts to

come together to share ideas as well as encourage and celebrate the successes of Lexington’s ever growing start-up community,” said Warren Nash, director of the UK/Lexington Innovation and Commercialization Center.

Lexington also has a Bluegrass Angels group whose members do invest individually and through a fund.

The Lexington Venture Club tracks regional start-up company funding from venture capital, angel investment, grants and money from family, friends and others. In January, the club’s annual Who Got The Money event recognized 87 companies that self-reported receiving nearly \$84 million in funding. Those companies employ 823 people at an average salary of \$68,000 for full-time personnel; they hired 201 full-time and 103 part-time positions in 2012. ■

Abby Laub is a correspondent for The Lane Report. She can be reached at editorial@lanereport.com.

Find out more

- For a list of all private and public seed venture capital organizations in Kentucky visit: thinkkentucky.com/dci/pdfs/PrivateVentureCapitalinKY.pdf
- For a list of some of the many grants offered by the Kentucky Innovation Network visit: startups.kstc.com.
- View the Kentucky Cabinet For Economic Development’s annual report at: thinkkentucky.com/dci/pdfs/DCIAnnualReportNew.pdf
- Learn more about the Kentucky Innovation Network at kyinnovation.com.

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Is It Time to Consolidate?

Kentucky banks performing well, but rising regulation costs driving them toward merger and acquisition

BY MARK GREEN

KENTUCKY banks are expected to re-enter a consolidation phase this year that is likely to see one in 10 and perhaps up to a fourth of the state's "community" financial institutions take their nameplates down in the next several years.

Community banks of less than \$1 billion in assets dominate the commonwealth's commercial landscape. Their conservative business practices largely shielded the state from the worst of the fiscal trauma that resulted when last decade's real estate-based investment bubble finally burst. Despite that, state

banks were buffeted by the 2008 financial crisis, a deep U.S. recession with continuing impacts and especially the ongoing regulatory backlash – much of it a result of unintended consequences.

"The examiners, Dodd-Frank, the regulatory environment is creating a bigger problem than the economy is," said Ballard Cassady Jr., long-time president/CEO of the Kentucky Bankers Association.

Banks here have fared well in comparison to counterparts in most of the nation. Earnings, capital levels and return on assets are above the national average and the average of contiguous states, said Commissioner Charles Vice of Kentucky Department of Financial Institutions. But those metrics all look worse than they use to.

The lackluster recovery has commonwealth bankers scratching harder for returns on capital, qualified borrowers and deals they can feel good about. And their efforts to get back to pre-crisis profitability are being double-teamed by the weak economy and stronger regulation.

The past few years have been a difficult time to be a banker, which is one reason industry merger and acquisition activity that occurs in normal times has been nearly nonexistent in Kentucky and across the nation. Banking insiders and observers, however, believe that is changing.

For a combination of dollar-driven reasons, industry pundits think at least 15 percent and perhaps 25 percent of U.S. community banks will disappear, said Walter Byrne, a banking attorney in Kentucky with Stites and Harbison for more than 30 years.

Their fallen return on assets looks unlikely to rebound in the next several years. Income prospects are diminished because loans are harder to make. Administrative costs are increasing for community banks that lack compliance department staffs to fulfill increasing regulatory reporting requirements – a burden expected to grow because federal authorities have written only a half to two-thirds of the new rules implement the Dodd-Frank Act's 400 provisions.

Other Kentucky banking experts predict the rate of consolidation will be less dramatic, though still significant.



Ballard Cassady Jr., President/CEO, Kentucky Bankers Association



Charles Vice, Commissioner, Kentucky Department of Financial Institutions

Bank M&A also requires buyers

"I would expect it to be between 10 and 20 percent," said Don Mullineaux, professor of banking and financial services at the University of Kentucky for 29 years. "That's strictly a guess; it's extremely hard to predict."

"I do think we will see M&A (merger and acquisition)," said Vice. "I think we will see 10 percent to 20 percent (consolidation) in the next five years."

Cassady's guess is that "they're going to end up in the 10 to 15 percent range." His estimate would be higher, he said, if only there were enough prospective buyers.

It's as hard or harder to borrow money for bank-capital purposes as it is for other business uses.

Bank prices are down. The "premium" paid for banks formerly was two to two and a half times book value – assets minus liabilities in very basic terms. Today's "premium" is only about one and a quarter to, at best, one and a half times book value.

"Where we are seeing deals, buyers are not willing to pay any premium to acquire a bank," Mullineaux said. "Prices have gone way down for selling your bank. That's part of the reason you're not seeing much (M&A) activity."

Fewer new-charter bank start-ups are taking place as well.

"There is not a lot of interest among investors to enter banking currently," he said. "They do not see a lot of growth potential ... and the cost (of entering) is high."



Don Mullineaux,
*Professor of Banking,
University of Kentucky*

Before the Great Recession, banking often generated a 2 percent return on assets and a 20 percent return on equity, Byrne said. Today both those rates of return are halved. Federal Reserve policy of near zero interest rates to encourage business activity squeezes bank loan margins and earning potentials.

"It's very hard to attract capital to banking today," according to Byrne, because capital costs are higher than returns. This is true especially for community banks, he said.

Yet, community banks do have staying power and "are much more nimble than the larger banks," Byrne said. But they also have fewer products and income generating options, less geographic diversity to tap into, less access to capital and lack large banks' competitively advantageous economies of scale, especially in fulfilling regulatory compliance demands.



Walter Byrne,
Lawyer, Stites and Harbison

Wall Street sins weigh Main Street down

Ramped-up regulation's burden is proportionately much heavier for community banks than for the enormous Wall Street institutions that were the original target after their collective near-death experience in late 2008 and early 2009 literally threatened the global financial system's collapse, in turn creating fear, anger and demands for more bank oversight.

In the United States, banking regulation change came via the Dodd-Frank Wall Street Reform and Consumer Protection Act, whose implementing language is still being written nearly three years after its passage. According to the

What do you think?

How would you react if your community bank consolidated with a larger one? How has the economic crisis changed the way you bank? Log onto lanereport.com and click on the cover story to share your opinion with us.



U.S. House Committee on Financial Services website, in late February regulators had written 224 of the estimated 400 rules the act requires. Those rules are 7,365 pages long already and will require at least 20 million private-sector man hours yearly to meet, according to the congressional panel.

Another 175 rules are yet to come.

Already, Dodd-Frank and other regulatory changes have required banks to come up with cash several times to increase capital reserves to ensure there are adequate reserves on hand if loans or investments go bad. That's come at the same time it has become harder to qualify customers for the loans that generate bank income.

The Federal Deposit Insurance Corp. increased member banks' premiums several times in recent years to maintain its required reserves-to-insured-deposits ratio after having to back the deposits of hundreds of U.S. banks closed since late 2008 – banks that are all outside Kentucky, which has not seen a state-chartered bank close since 1987.

A total of 10 U.S. banks closed in the five-year period from 2003 through 2007, the FDIC reports. In 2008 closures jumped to 25, and then the floodgates opened: 140 banks closed in 2009; 157 banks closed in 2010; and 92 more in 2011. Closures slowed to 50 in 2012. There were three the first two months of 2013.

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Crisis has flat-lined banking M&A

"Typically the way it works is you have some type of crisis, you have additional regulations, and then you have some type of consolidations," Vice said. "Then it stabilizes." That was the case in the early 1990s after the national savings and loan crisis that brought closure of almost 750 of the nation's 3,200 S&Ls.

Because the 2008-09 economic crisis directly involved banks, the industry "suffered a lot of reputation damage," Vice said, and that also decreased bank prices.

There was plenty of banking M&A activity up until the recession.

"Since then it's kind of flatlined," Vice said.

He agrees, though, that activity is about to return to Kentucky – and probably many other regions. At a banking conference he attended in New York recently, Byrne said, the consensus was that "community" size banks are at a disadvantage and will seek to consolidate into larger entities with efficiencies of scale for earning power, better return on equity and economies of scale in complying with regulatory work.

"All these different pressures are coming down on banks," Cassady said. "It all circles back to the Dodd-Frank legislation. It was an attempt to rein in Wall Street; instead, they got everybody, and Wall Street got away."



Dianna Preece,
Professor
of Finance,
University
of Louisville

Dianna Preece, a professor of finance at the University of Louisville College of Business, points as an example to credit default swaps. Initially a type of investment insurance, they turned into an investment vehicle themselves when a market for swaps contracts developed. It became a pure bet. Hundreds of billions of dollars were lost

when the bundled mortgages that swaps were linked to lost their value.

"People were upset about credit default swaps," Preece said. "But reform did not really address that you don't have to own underlying assets to buy credit default swaps on it."

It's amazing you can buy a default swap on anything you want and not have to own it."

"It's eating up all the revenue"

The large financial center banks find ways around obstructions created by regulations, Cassady said.

"They've got enough money they'll go out and hire another 10 lawyers," Cassady said. "A community bank can't get out and hire two people just to be hiring them.

Kentucky Bank Equity Capital Changes

	2010	2011	2012	2013*
Institutions	199	198	194	192
Net income	\$249.6	\$418.9	\$353.1	\$435.8
Equity capital	\$5,289.7	\$5,564.8	\$5,930.6	\$6,261.4

Source: FDIC

* Figures as of Jan. 1 except for 2013, which is as of Oct. 1, 2012

"There's this constant downward pressure of compliance cost. It's eating up all the revenue."

For example, smaller banks that don't have social media programs or offer mobile device banking still must comply with new rules for those services.

"Banks are having to write policies for products they don't even offer," Cassady said. "I have to hire somebody to write a policy for what I would do if I did have that. ... There's hundreds of examples like that."

And Kentucky is primarily a smaller bank state (see Lane List of Kentucky's Largest Banks on page 36). Chase, US Bank, PNC and BB&T, all banks of more than \$125 billion in assets, do operate in the state, but their combined Kentucky market share is around 27 percent. Only 15 banks that operate in the state have deposits of at least \$1 billion, an amount informally considered the minimal size to achieve economies of scale.

The size necessary for efficient compliance operations is debated, though.

"Some say at least \$500 million, some say a billion," said Cassady, who doesn't subscribe to any specific figure. "Obviously the larger you are, the easier it is."

Addressing the compliance burden

The compliance burden is known to policymakers in Washington, and they are trying to address the problem, according to Mullineaux.

"The FDIC (the primary regulator for most Kentucky banks) is very much aware of this problem," he said. "They had a big conference last winter and they have a huge initiative going on so the community bank sector doesn't disappear. It is vital to the economy, especially in smaller communities."

Officials at the FDIC, the Federal Reserve and the Office of the Comptroller of the Currency, the three banking regulatory agencies, are trying to come up with different approaches to treat smaller and larger banks differently, said Mullineaux.

"Lots of bankers support it, but they haven't gotten a lot done."

Banking has changed as a result of the economic crisis, recession and its lingering effects, said Preece.

"Community banks might feel it

more because they are smaller, but they might be more insulated," she said.

Preece also teaches at banking training programs in the states of Kentucky and Iowa. Neither state's banks got involved in some of the practices that got the bigger banks in such trouble.

Commonwealth bankers' conservative natures prevailed, according to Cassady, who said he specifically asked what had dissuaded most from making bad bets.

"One banker said he did not participate in what turned out to be problem investments," Cassady said, "because they did not pass his Three-Question Rule: If I have to ask more than three questions to understand an investment, it's too complicated for me."

It turned out they were too complicated for the entire financial system.

Deep public resentment at the hundreds of billions of taxpayer dollars the federal government kicked in to prop up teetering financial giants and the several trillion dollars in individual and institutional assets that evaporated in the crisis continues to be manifested today via regulators who "have been very, very harsh with banks," Byrne said. Enforcement actions, penalties and threats of further penalties, deposit insurance premium increases, requirements to raise capital reserves and raise them again take their toll on bank owners and board members.

Selling can look increasingly appealing, but finding a buyer might be yet another challenge.

"Large banks don't want to be in 90 percent of the land mass of Kentucky," according to Byrne. "They just want to be in Louisville, Northern Kentucky and Lexington."

What will be the outcome in Kentucky? Boards and even individual board member have to assess their specific prospects.

"It's a challenging environment to stay abreast of because it is changing so quickly," said Byrne, who thinks Kentucky bankers' past history suggests they will wait and watch what is happening elsewhere before deciding.

"What's interesting is," Preece said, "what is the new normal?" ■

Mark Green is editorial director of The Lane Report.
He can be reached at markgreen@lanereport.com.

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Examining Insurance Mandate Options

Low-benefit plans being penalized; buying through state exchange offers 50 percent tax incentive

BY JOSH SHEPHERD

AMID the advance planning that Kentucky's employers are doing to comply with health insurance mandates going into effect January 2014, there is one big question remaining. Will Kentucky adopt Medicaid expansion? As of the end of February, the Cabinet for Health and Family Services said Medicaid expansion is still on the table, but there has been no decision.

The Medicaid decision is one of the few facets of the Patient Protection and Affordable Care Act's (ACA) health insurance mandates for which there is no hard deadline. When experts comment on the various strategies open to employers to comply with health insurance mandates before the January 2014 deadline, there is a lot of speculation but little concrete vision about what is going to happen.

Despite the ACA's intention to provide medical coverage for 100 percent of the populace, states have some leeway to address how they want to work with Medicaid, a program expected to fill the hole for the nation's uninsured.

Many states, including Kentucky, are wrestling with the question of how they want to extend Medicaid benefits and whether, in the long run, the program can sustain the expected influx of eligible individuals and families whose incomes are at 133 percent of the federal poverty level. Jose Fernandez, Ph.D., assistant professor of economics at the University of Louisville, is particularly interested in the answer to that ques-



*Jose Fernandez,
Assistant
Professor
of Economics,
University
of Louisville*

tion. According to projections from a number of sources, the extension could increase Kentucky's Medicaid population by 30 percent, Fernandez said.

Betsy Johnson, a partner in the law firm of Stites and Harbison and the former commissioner of the Medicaid program in Kentucky, puts an actual number on it. Under expansion, Kentucky could see well over 420,000 new Medicaid recipients.



*Betsy Johnson,
Partner, Stites
and Harbison*

But such an expansion should not be all that alarming, Johnson said. For the first two years, the federal government will subsidize 100 percent of the cost. But the ACA also states that the subsidies will be reduced incrementally over the course of this decade. Though subsidies will disappear by 2018, "I think Kentucky is leaning toward Medicaid expansion," Johnson said.

Janet Craig, also a partner with Stites and Harbison, noted that many "red" states that have opposed the ACA now are seriously considering adopting Medicaid expansion. "That includes Florida, where the expected Medicaid population increase would be larger than Kentucky," Craig said.



*Janet Craig,
Partner, Stites
and Harbison*

Affordability required for 'large-group' plans

Being able to afford the increased Medicaid population is just one issue.

"If the objective is to provide everyone healthcare coverage, the expansion of Medicaid accomplishes that almost overnight. The feds cover that cost, but eventually those credits go away and the state will still have to find ways to fund it," Fernandez said.

But aside from the funding issue, Medicaid expansion has another potentially interesting side effect, particularly with some of Kentucky's large group employers. For purposes of implementing the state's health exchange program, discussed later in this article, Kentucky's defines "large employers" as those companies with 51 or more employees. When the insurance mandates go into effect, those large employers must have in place a qualified and affordable health insurance benefit for their employees or face some stiff penalties.

Health insurance packages offered must, at minimum, cover 10 essential health benefits required by the ACA, which also requires that an employee's share of premiums not exceed 9.5 percent of their household income.

For many of Kentucky's large employers, their current employees' wages would qualify them for the Medicaid expansion.

"In Kentucky, if you are a company like, for example, Walmart, then the majority of your full-time employees (FTE) are minimum-wage earners. They can offer a qualified health insurance benefit, but that benefit requires the employee to pay a portion of the premium as well as co-pays and deductibles," Fernandez said.

"In that situation, it makes more sense from the employee's perspective to enroll in Medicaid. It requires no out-of-pocket expenses, no co-pays or deductibles. Why wouldn't a savvy low-wage worker take advantage of that circumstance?" he said. "Plus, the employer is not concerned about a penalty because they are meeting their obligation under the ACA.

"The employee has to be the person to opt out of the plan. But I don't know if there are any controls to prevent that or even if there should be."

The penalty to large employers that offer no qualified health insurance by the deadline is \$2,000 per full-time equivalent employee. The penalty is \$3,000 for employers that offer a quali-

fied plan but with premiums their employees cannot afford. There is no penalty for companies that provide a qualified plan with affordable premiums and matching funds for employees whose premiums top the 9.5 percent of household income limit.

"Come 2014," according to Fernandez, "the world will not change much for big firms that are already offering good health insurance packages. For others, the impact is going to depend a lot on what they have been doing in the past."

Craig said, though, that the greatest anxiety over the ACA is among large firms. She has made numerous presentations to business groups and associations so they can better prepare to meet requirements and deadlines.

"There are still a lot of concerns about additional costs for insurance plans in healthcare reform, and they're worried about the penalties," Craig said.

Penalties for encouraging overuse of care

Many firms she has addressed have enough employees to be large employers, but currently lower health insurance costs by purchasing coverage jointly with other businesses or through professional associations. Federal law,

10 Essential Health Benefits

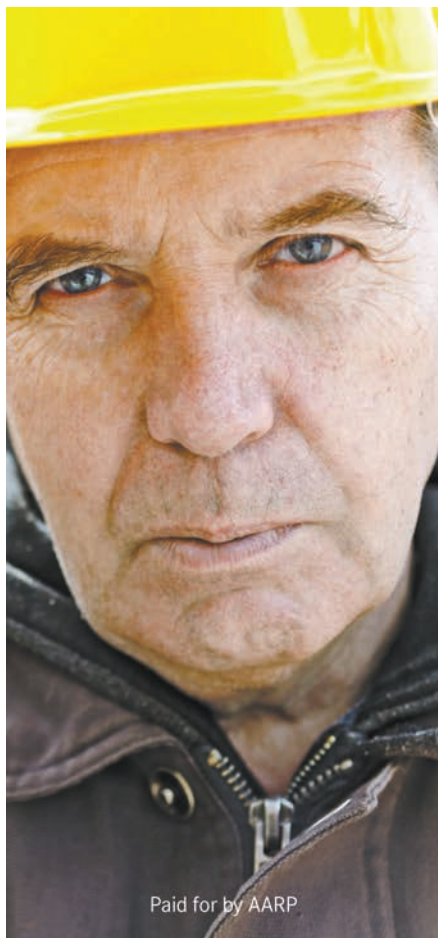
Health insurance packages offered must, at minimum, cover 10 Essential Health Benefits required by the ACA. An employee's share of premiums cannot exceed 9.5 percent of their household income, and plans must offer preventive care at no cost to the patient.

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

however, does not view an association as a large employer, and that option is likely to go away in 2014, Craig said.

Meanwhile, the ACA will penalize so-called "Cadillac plans" that provide employees with generous benefits and

Continued on page 33



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HEALTHCARE

Continued from page 31

have high premiums, which usually are paid by the company.

"The ACA has a provision to levy a 40 percent excise tax on companies who provide healthcare plans whose premiums exceed \$10,200 for individuals or \$27,500 for families. These 'Cadillac Plans' that provide higher coverage have been widely criticized because, it's argued, these plans encourage overuse of medical care," Craig said.

There are some potential end-runs for large employers.

For very large employers, there is speculation that penalty costs would be less than the expense of providing health insurance, Craig said. There are questions about how FTEs will be calculated to determine whether a company qualifies as a large employer.

"Hiring only part-time people is not an escape from the mandates," Craig said. "There is a formula that companies can apply if they have questions about that."

There are still some gray areas, such as requirements for companies that rely on temporary or seasonal employees. That's an area where individuals could slip through the system's cracks, according to Fernandez. But this is less of an issue for small group employers and their access to Kentucky's health exchange program.

Benefits Exchange an incentivized marketplace

Kentucky is one of 16 states in the process of implementing its own health benefit exchange program. Exchanges are intended primarily to help individuals meet the mandate to have health insurance, but Kentucky is taking the extra step of making its exchange available to small group employers. That exchange option is designed to give small businesses the same buying power as larger employers.

The development and implementation process for the Kentucky Health Benefit Exchange is well on its way, said Carrie

Banahan, its executive director. Progress will be reviewed by the federal Department of Health and Human Services.

"We are on target to begin providing services by the October 2013 deadline. That is when we are scheduled to begin operations," Banahan said.

In 2014, businesses with two to 50 employees can elect to provide health insurance coverage to their employees through the exchange. By 2016, employers of 51-100 employees will have an option to use the exchange.

By 2017, Kentucky could exercise an option to invite large group employers to purchase health plans through the exchange also. That decision has not been made.

Banahan explained that the exchange is a marketplace for basic health insurance plans, providing the public with vetted, consistent information to aid purchasing decisions. The benchmark plan upon which insurance companies must base their offerings is the Anthem PPO. Already, Banahan said, several qualified health plans have been submitted for the exchange and all of the Kentucky-based insurance providers have submitted products, including Humana, United Healthcare and Anthem.

Plans will be available at different "metal" levels: Bronze (which provides 60 percent coverage of costs), Silver (70 percent cost coverage), Gold (80 percent coverage) or Platinum (90 percent.) Small-group employers who participate in the exchange may review these plans and select one to make available to their employees, or they can even provide a mix of levels from which their employees can select.

The exchange will also provide an online portal for purchasers to compare



Carrie Banahan, Executive Director, Kentucky Health Benefit Exchange



plans' prices, services and ratings on an easy to understand "apples-to-apples" basis. The major incentive to small businesses to purchase their health insurance through the exchange is a 50 percent federal tax credit. That credit is only available through the exchange.

"This is probably one of the best things to come out of the ACA's insurance mandates," Craig said. "Small group employers are currently exempt from the penalties, but they still have to make their employees aware of plans available through the exchange."

While the incentives to small businesses make participation in the exchange particularly attractive, there are critics who say the ACA's insurance mandates on business could result in job losses. That possibility exists, Fernandez acknowledged. Rather than add employees vertically, businesses might contract out with smaller companies for supplies and services to keep their employee base small.

Conversely, efforts to make healthcare affordable for small employers and independent individuals could help entrepreneurs.

"There is nothing in the legislation that I can see having a detrimental effect on business entrepreneurship, whether in Kentucky or anywhere else," Fernandez said. "In fact, it may be to a company's advantage to stay small and take advantage of what the exchange can provide." ■

Josh Shepherd is a correspondent for The Lane Report. He can be reached at editorial@lanereport.com.

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Economic Signs Grow Increasingly Optimistic

Banks and financial advisers see slow, steady improvement in 2013

BANKERS and wealth managers see improving economic conditions and better financial metrics pointing toward continued recovery in 2013, both in their industry and the broader U.S. economy. The first glimmers of light in several years in real estate and housing are creating optimism.



Paul Costel
President of
Commercial
Bank
Chase

“Despite uncertainty about potential significant government spending reductions, the economy is likely to continue to recover in 2013, and perhaps at a faster pace than it has. Optimism is reflected in the equity markets. The broad Wilshire 5000 index of all publicly traded companies is in record high territory. The real estate excesses that plagued many communities are clearing, and the housing industry is recovering. Houses are as affordable as ever, and prices are rising. Mortgage rates are extremely low. Recent college grads, an important driver of housing demand, are beginning to find jobs. Almost two-thirds of recession job losses have been replaced or recovered. Households enjoy historically low debt-service payments.

The banking system is extremely well capitalized. Businesses are more profitable than at any time since such statistics have been collected. Fears of a breakup in Europe have passed. Investors are moving funds out of cash into credit-starved pockets of the credit market. Negligible construction the past half decade has driven vacancy rates down for most categories and pushed rents up. And the Federal Reserve intends to keep its policy rates low until the economy is within sight of full employment and inflation climbs back up to its long-run goal.”



M. Lynn Cooper
President/CEO
First Security
Bank

“Open-market interest rates will remain relatively flat for the year. Housing should improve because inventory is shrinking and there is pent-up demand. Unemployment will decline slightly due to increasing demand for goods and services. Banking consumers will have even more attractive rates than previously seen; banks are flush with money to lend but little demand. Additionally, large regional banks that have been stingy with loan money the past few years will get back into the game. That will cause rates to decline at both larger banks

and community banks. Banks also will be committing longer terms with fixed rates to buy business from other banks’ customers. This in turn will drive deposit rates lower than what they are today.”



William “Bill” J. Jones
Division
Manager,
Community
Banking,
Southeast
US Bank

“According to economists, the recession ended 14 quarters ago, but it probably doesn’t feel like it to all of us. Whatever recovery we’ve been under continues to be slow and methodical. An improved housing market, modest gains in employment and continued low interest rates should contribute to creating a positive environment for both consumers and businesses. U.S. Bank has remained among the strongest in the industry, as indicated by our continued “best of class” debt ratings and customer service ratings. We have continued to invest in building the bank to be great in great times.”



William “Bill” Alverson
President
Traditional
Bank

“We look optimistically at 2013’s business prospects. Loan requests are up, and we are funding loans to businesses and individuals who are purchasing or expanding their operations in Central Kentucky. This loan demand indicates to our team that the economy is improving. Traditional Bank continues its mission of providing the best in customer service and relationship banking, and is gaining us referrals from our customers and friends. We continued to lend prudently during the recession of 2008 and have maintained excellent earnings and strong capital levels. We feel 2013 will be a year of opportunity and look forward to continuing to serve our customers.”



Luther Deaton
President
Central Bank

“Kentucky’s economy is growing slowly, but 2013 is going to be a challenge. We need to create new high-value job opportunities, and the legislature must initiate tax reform that can create revenue to fund pension reform and increase education support. We can’t create better jobs to lift consumer spending without more emphasis on a well-trained job-ready workforce. Recovery from the recession has been slightly better than the nation as a whole. Consumer spending is recovering and the housing

industry is rebounding. Interest rates should continue at current levels at least through 2014, fueling home sales growth. The slow-growth economy has challenged community banks to adopt new standards and strategies to assist their markets. They are working closely with customers to build upon the available opportunities that will lead to better growth and prosperity for our communities.”



Christopher Dew
Senior Vice President
Citizens Union Bank

“Citizens Union Bank is cautiously optimistic 2013 economic conditions will continue in a positive direction, with good growth potential and earnings improvement across the industry. We have an increase in commercial loan requests, purchase activity in one- to four-family residences and notable increases in escrow activity with our attorney clientele. However, risks include the unknown impact of sequestration, the impact on small businesses of new healthcare regulations and continued high unemployment levels. An example of the mixed economic situation is that several customers are experiencing significant sales and production increases, but have no intention of adding employees for the foreseeable future. Thus, while GDP and economic activity improves, employment levels may stay stagnant.”



Tom Partridge
President/CEO
Fifth Third Bank
(Kentucky)

“The S&P 500 Financial sector had a 28.8 percent return in 2012, versus 16 percent for the entire S&P 500. Banks benefited from bringing down their loan-loss-reserve balances and adding the amounts to income; improved profits allowed many in the sector to aggressively increase dividends. We suspect 2013 will have several headwinds and tailwinds: Top line growth will be a headwind for banking and insurance. Lower amounts of loan-loss-reserve adjustments to bring to the income statement will be a headwind for the banks, but recovering real estate prices could be a huge tailwind for banks and REITs. The better economic tone could be a tailwind for the diversified financials. In summary, we view 2013 as a year of overcoming skepticism of repeating the group’s success from 2012. Markets may take a wait-and-see attitude until revenue and earnings growth trends are better known; investors should remember 2013 will likely see the sector continue aggressively increasing dividends and share buyback

programs. Bloomberg’s consensus of analysts’ estimates projects financial sector revenues will grow 2.6 percent in 2013 (versus 0.4 percent in 2012), while earnings per share will increase by only 9.7 percent (versus 18.8 percent in 2012). The wildcard for 2013 could be consolidation. There was not much merger and acquisition activity during 2012, so we may see an increase in 2013, which would also be supportive for share prices.”



Ballard Cassidy
President/CEO
Kentucky Bankers Association

“The banking industry should experience slow growth in 2013 because of over regulation in the form of Dodd/Frank legislation. High compliance costs and tighter lending requirements strangle revenue opportunities. Since it is toughest on small community banks, we will start seeing some mergers and acquisitions in an attempt for synergy through reducing per-customer compliance cost. Most of our industry is now facing revenue stress while scouring the countryside for good loans and investments. The Fed’s QE-infinity program is forcing investors to the stock market, leaving banks to struggle with investment return. New taxes implemented this year and next for healthcare, etc., will further slow an already slow economy. Until we make the structural changes needed to entitlement programs, our economy will ‘slug’ along.”



Jean Hale
Chairman,
President/CEO
Community Trust Bancorp

“We see improvement in economic conditions in most of the communities we serve in Kentucky, West Virginia and Tennessee; however, some businesses, particularly coal and natural gas, are negatively impacted by lack of demand, low prices and the current regulatory environment. Improvement in the economy, as with the downturn, varies within the communities we serve. Kentucky’s economy has weathered weak conditions better than many states, but the pace of improvement is slow, similar to the nation. Community Trust continues to meet the challenges of operating within weak economic conditions and achieved record earnings performance for 2012. The diversity of the economic base of the geographic areas we serve allowed us to continue our history of profitability. We exceed peer institutions in earnings while providing a strong dividend to shareholders. Our financial strength poises us to seize opportunities as the economy continues its recovery.”



Hoyt Almond
Regional President
BB&T

“Our economy is progressing despite numerous headwinds. Unemployment has stabilized. Manufacturers are reporting issues with hiring and retaining skilled labor. Corporations have trimmed costs to mitigate slower revenue growth. As a result, they continue to build liquidity. Since many companies have no more cost reduction levers to pull, look for more mergers and acquisitions. Housing has stabilized and begun to recover. Homeowners continue to refinance at lower mortgage rates, providing fuel for retail spending. While we do not expect the economy to return to the pre-recession growth rate in 2013, our outlook is very positive.”



John L. Gardner
Senior Vice President
Complex Manager
Wells Fargo Advisors LLC

“Our view is that 2013 will be a year of decision and implementation. Government at all levels has to deal with budget constraints, with most people focused on the national headlines. More to the point, businesses have to begin to consider how to move forward. Do they continue to focus on the evident problems or look beyond them to the developing opportunities? This is especially true, too, for individual investors as they are beginning to realize the costs of defensive strategies while we anticipate economic momentum and the market moving ahead.”



Travis Musgrave
Senior Vice President
Wealth Management
Merrill Lynch Wealth Management

“Merrill Lynch’s view of the economy is that growth will remain stubbornly slow yet relatively steady. This will lead to an equity market that continues to grind higher in the face of much worry. Our economists see evidence of a gradual improvement each day with a pickup in construction, a slow decrease in unemployment and an increase in wealth as both real estate and stocks perform better. A positive outlook is not without risks, and we would use pullbacks as an opportunity to add to risk assets to take advantage of the “great rotation” of investments from safe assets (bonds) to risk assets (stocks). This rotation should gain momentum in 2013.” ■

THE LANE LIST



LARGEST BANKS IN KENTUCKY

Ranked by market share of deposits in Kentucky as of July 1, 2012 (most recent figures available)

INSTITUTION NAME (HQ STATE)	NON-KENTUCKY DEPOSITS (MILLIONS)	KENTUCKY OFFICES	KENTUCKY DEPOSITS (MILLIONS)	KENTUCKY MARKET SHARE
PNC Bank (DE)	\$197,061.9	132	\$6,313.3	8.90%
JPMorgan Chase Bank (OH)	\$827,335.3	65	\$5,119.7	7.22%
Fifth Third Bank (OH)	\$81,961.0	105	\$5,026.1	7.09%
Branch Banking and Trust Co. (NC)	\$127,475.2	88	\$4,119.3	5.81%
U.S. Bank National Assoc. (OH)	\$216,781.9	127	\$3,881.5	5.47%
Community Trust Bank (KY)	\$433.0	70	\$2,518.2	3.55%
Republic Bank & Trust Co. (KY)	\$121.0	34	\$1,738.9	2.45%
Central Bank & Trust Co. (KY)	0.0	23	\$1,623.8	2.29%
The Bank of Kentucky Inc. (KY)	\$16.8	32	\$1,439.6	2.03%
Stock Yards Bank & Trust Co. (KY)	\$295.4	20	\$1,391.0	1.96%
Whitaker Bank (KY)	0.0	39	\$1,207.1	1.70%
PBI Bank (KY)	0.0	19	\$1,206.9	1.70%
First Federal Savings Bank of Elizabethtown (KY)	\$116.1	17	\$973.6	1.37%
Independence Bank of Kentucky (KY)	0.0	18	\$972.5	1.37%
Traditional Bank (KY)	0.0	12	\$863.9	1.22%
Old National Bank (IN)	\$5,925.8	22	\$795.6	1.12%
Forcht Bank (KY)	0.0	35	\$772.6	1.09%
Regions Bank (AL)	\$94,786.9	16	\$708.1	1.00%
Commonwealth Bank and Trust (KY)	0.0	16	\$660.1	0.93%
Heritage Bank (KY)	\$149.7	11	\$636.7	0.90%
First Southern National Bank (KY)	0.0	19	\$594.4	0.84%
Farmers Bank & Capital Trust (KY)	0.0	9	\$562.6	0.79%
Kentucky Bank (KY)	0.0	14	\$543.6	0.77%
The Monticello Banking Co. (KY)	0.0	12	\$528.4	0.75%
Community Financial Services Bank (KY)	0.0	6	\$480.3	0.68%
Citizens Union Bank of Shelbyville (KY)	0.0	15	\$464.9	0.66%
The Paducah Bank and Trust (KY)	0.0	6	\$450.2	0.63%
The Huntington National Bank (OH)	\$45,450.4	13	\$449.9	0.63%
Citizens National Bank of Paintsville (KY)	0.0	12	\$436.3	0.62%
Heritage Bank (KY)	0.0	15	\$421.3	0.59%

Source: FDIC.gov

LARGEST CPA FIRMS IN KENTUCKY (2013)

Ranked by number of CPAs employed

- 1. Mountjoy Chilton Medley LLP**
109 CPAs
462 S. Fourth St.
Louisville, KY 40202
(502) 749-1900
mcmcpa.com
Other Ky. locations: Lexington,
Covington, Frankfort
- 2. Dean Dorton Allen Ford PLLC**
75 CPAs
106 W. Vine St., Suite 600
Lexington, KY 40507
(859) 255-2341
ddafcpa.com
Other Ky. location: Louisville
- 3. BKD LLP**
63 CPAs
220 W. Main St., Suite 1700
Louisville, KY 40202
(502) 581-0435
bkd.com
Other Ky. locations: Bowling Green,
Owensboro
- 4. Crowe Horwath LLP**
60 CPAs
9600 Brownsboro Road, Suite 400
Louisville, KY 40252
(502) 326-3996
crowehorwath.com
Other Ky. location: Lexington
- 5. Ernst & Young LLP**
54 CPAs
400 W. Market St., Suite 2400
Louisville, KY 40202
(502) 585-1400
ey.com
- 6. Blue & Co. LLC**
52 CPAs
2650 Eastpoint Parkway, Suite 300
Louisville, KY 40223
(502) 992-3500
blueandco.com
Other Ky. locations: Downtown Louisville,
Lexington
- 7. Deming, Malone, Livesay & Ostroff PSC**
51 CPAs
9300 Shelbyville Road, Suite 1100
Louisville, KY 40222
(502) 426-9660
dmlo.com
- 8. PricewaterhouseCoopers LLP**
48 CPAs
500 W. Main St., Suite 1800
Louisville, KY 40202
(502) 589-6100
pwc.com
Other Ky. location: Lexington
- 9. VonLehman & Co. Inc.**
43 CPAs
250 Grandview Drive
Fort Mitchell, KY 41017
(859) 331-3300
vlcpa.com
- 10. Strothman & Company PSC**
36 CPAs
1600 Waterfront Plaza
325 W. Main St.
Louisville, KY 40202
(502) 585-1600
strothman.com
- 11. KPMG LLP**
23 CPAs
400 W. Market St., Suite 400
Louisville, KY 40202
(502) 587-0535
kpmg.com/us
- 12. Ray, Foley, Hensley & Co. PLLC**
22 CPAs
230 Lexington Green Circle, Suite 600
Lexington, KY 40503
(859) 231-1800
rfhco.com
- 13. Carr, Riggs & Ingram LLC**
22 CPAs
927 College St.
Bowling Green, KY 40503
(270) 782-0700
CRlcpa.com



Ray Strothman is managing partner and Melissa Fraser is a partner and chief operating officer/ chief financial officer at Strothman & Company. The firm employs 36 CPAs in its Louisville office.

- 14. Louis T. Roth & Co. PLLC**
21 CPAs
2100 Gardiner Lane, Suite 207
Louisville, KY 40205
(502) 459-8100
ltroth.com
- 15. Deloitte**
20 CPAs
220 W. Main St., Suite 2100
Louisville, KY 40202
(502) 562-2000
deloitte.com
- 16. Miller, Mayer, Sullivan & Stevens LLP**
17 CPAs
2365 Harrodsburg Rd.
Lexington, KY 40504
(859) 223-3095
mmssllp.com
- 17. Welenken CPAs**
16 CPAs
730 W. Market St.
Louisville, KY 40202
(502) 585-3251
welenken.com
- 17. Jones Nale Mattingly PLC**
16 CPAs
642 S. Fourth Ave., Suite 300
Louisville, KY 40202
(502) 583-0248
jnmcpa.com
- 19. Williams, Williams & Lentz LLP**
14 CPAs
601 Jefferson St.
Paducah, KY 42001
(270) 443-3643
wwlcpa.com
- 19. Barr, Anderson & Roberts PSC**
14 CPAs
2335 Sterlington Road, Suite 100
Lexington, KY 40517
(859) 268-1040
barcpa.com
- 21. Baldwin CPAs PLLC**
12 CPAs
713 W. Main St.
Richmond, KY 40475
(859) 626-9040
baldwincpas.com



Crissy Fiscus, Dean Dorton Allen Ford Director of Assurance Services in the Lexington office, and Simon Keemer, Director of Assurance Services in the Louisville Office, represent the company at Lexington Convention Center event. Dean Dorton Allen Ford employs 75 CPAs in its Lexington and Louisville offices.

SPOTLIGHT ON THE ARTS

Frank X Walker Named Kentucky Poet Laureate



Frank X Walker

L EXINGTON poet, author and teacher Frank X Walker is Kentucky poet laureate for 2013-14.

Author of five poetry collections and an established playwright, Walker is an associate professor in the University of Kentucky Department of English and directs its African-American and Africana Studies program. Walker is the state's first African-American poet laureate and at 51 is the youngest Kentuckian to be given the honor.

"I hope I will have opportunities to be visible, to serve as a role model for kids who come from humble beginnings like I did," Walker said. "I want to remind them that books are important; developing and using their creativity is important. Everybody is creative; they just need the tools to harness and control their creativity.

"I grew up in the projects, so I want to tell them your circumstance is not an excuse. If you commit to something, if you work hard and have discipline, you can accomplish anything."

Walker is known internationally for his unique approach to teaching and literary accomplishments, including coining the word "Affrilachia" to acknowledge the Appalachian region's African-American culture and history.

"Frank X Walker's deep roots in the Kentucky writing community and his contributions to the state's rich literary history led to a new movement in the arts – one that defined and gave voice to a specific population of Appalachian residents," said Gov. Steve Beshear. "Our state and region are better for it. The commonwealth is fortunate to have a writer like Frank X Walker living and teaching within our borders, and I am proud to name him the commonwealth's next poet laureate."

The Kentucky poet laureate promotes the literary arts in Kentucky through readings of his work at meetings, seminars and conferences across the state. Walker succeeds outgoing poet laureate Maureen Morehead.

Owensboro's RiverPark Center Board Names GM Roxi Witt Executive Director

AFTER a year of extensive organizational review, the RiverPark Center board of directors has named new leadership for Owensboro's performing arts and civic center, promoting 20-year RiverPark Center veteran and current General Manager Roxi Witt to the new role of executive director.

"Roxi Witt's leadership during the past 20 years has shaped RiverPark Center into the strong community asset that it is today," said Chairman Jeff Danhauer. "She knows every in and out of our valuable performing arts facility. She has played an integral role developing the essential programs RiverPark provides, and she has built relationships with community leaders that continue to enhance RiverPark Center's mission in our region."

Arts Events Around the State

Kentucky Writers' Day

Capitol Rotunda, Frankfort
11 a.m. April 24
artscouncil.ky.gov
(502) 564-3757

Quilts of the South Central U. S.

The National Quilt Museum, Paducah
Through April 2
quiltmuseum.org
(270) 442-8856

Kentucky Visions at the Capitol

Senate and House offices, Capitol Annex
Frankfort
Through March 26
artscouncil.ky.gov
(502) 564-3757

Loretta Lynn

Paramount Arts Center, Ashland
8 p.m. April 26
paramountartscenter.com
(606) 324-3175

Indigo Girls

The Kentucky Center for the Performing Arts
Whitney Hall, Louisville
8 p.m. March 30
kentuckycenter.org
(502) 562-0100

Jack Hanna's Into the Wild Live

SkyPac, Bowling Green
7:30 p.m. April 13
theskypac.com
(270) 904-1880



A small portion of 40,000 textiles to be cataloged Churchill Weavers storage.

KHS Receives Grant to Catalog Churchill Weavers Collection

THE Kentucky Historical Society is getting a \$142,000 grant to catalog an estimated 40,000 textiles from Churchill Weavers, which for 85 years produced distinctive handwoven clothing and home textiles in Berea.

Talented owners and employees helped it become one of Kentucky's most beloved handcraft businesses. However, faced with foreign competition and downsizing, the business was auctioned in 2007. The KHS Foundation purchased the Churchill Weavers Collection of fabric samples, tools, looms, photographs and business records documenting every pattern, weave nuance, color, fiber and material.

The Council on Library and Information Resources Collection is providing the Cataloging Hidden Special Collections and Archives grant.

"This is one of the most important American textile archives to date and perhaps the most important one in Appalachia, and yet these fabric samples are not accessible to the public," said Jennifer Spence, KHS's Churchill Weavers project coordinator. "The collection's substance, once made accessible, has the potential to make profound impact on scholarship and to create opportunities to learn things about small-business hand-weaving production that have never been known before."



Lori Meadows is executive director of the Kentucky Arts Council.



THERE IS NO WORLD CURRENCY WAR

Yen's decline is sensible and sparking market rallies

BY LAWRENCE KUDLOW

ALL this chatter about a so-called global currency war is utter nonsense. All that is happening is the Japanese are wisely taking steps to increase liquidity and depreciate their vastly overpriced yen. They are doing this in order to avoid deeper and deeper deflation. That deflation will sink the Japanese economy for years to come if remedial actions are not taken.

Among all the big economies, none needs quantitative easing more than Japan's. All the Japanese have done so far is make cheap loans to banks, but with no concerted QE. But QE *is* coming this spring, when Prime Minister

Abe appoints a new Bank of Japan head man.

Mostly through jawboning, the Abe government has lowered the yen in round numbers from about 77 to the dollar to roughly 93 to the dollar. It's about a 20 percent change. Long overdue. My guess is the yen will wind up around 120 to the dollar as the year progresses.

To suggest that this is inflationary is a complete fantasy. It is aimed at stopping *de*-flation. Over the past three years, nominal gross domestic product in Japan has been roughly flat. In other words, total spending for the economy has been nil. That's a reces-

sion. And a long one at that. (In some sense, Japan needs to recover from a 20-year recession.)

Now, monetary pump-priming is not the only solution for Japan's economic woes – supply-side tax cuts would go a long way toward promoting growth. There has been a small corporate tax cut, but more is needed.

Personal tax rates are way too high in Japan. And the Japanese stubbornly insist on all these ineffectual Keynesian deficit-spending policies. They are a complete waste of money and have run up Japanese debt to huge levels.

New fiscal policies are essential to promote growth in Japan. But just as inflation is a monetary phenomenon, so is deflation. And if Japan is going to correct this by adding reserves and depreciating the overvalued currency, this is all to the good.

Elsewhere around the world, the U.S. dollar has been steady. The dollar-gold price has fallen about \$350 and remains in the mid-\$1,600 range. The euro-dollar currency rate has been reasonably steady, between 1.30 and 1.40. The dollar itself is hovering around 80 on the DXY index. And on the other side of the world, the Chinese yuan has been fairly stable.

So there is no currency war – just a more sensible Japanese monetary policy.

By the way, it's no coincidence that a more pro-growth yen decline has helped trigger stock market rallies around the world. ■



Lawrence Kudlow is CEO of Kudlow & Co., an economic and investment research firm in New York City.

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The Kentucky Bourbon Trail Craft Tour connects seven artisan distilleries from across the state. After the new tourism adventure was introduced last fall, representatives from each of the distilleries displayed barrels commemorating the tour. The distilleries on the tour include: Barrel House Distillery of Lexington, Corsair Artisan Distillery in Bowling Green, Limestone Branch Distillery in Lebanon, MB Rowland Distillery in Pembroke, Old Pogue Distillery in Maysville, Silver Trail Distillery in Hardin, and Willett Distillery in Bardstown.

Kentucky Bourbon Gets Crafty

Micro-distilleries show visitors how bourbon was first made

BY KATHERINE TANDY BROWN

IN 1999 the Kentucky Distillers Association formed the Kentucky Bourbon Trail in order to give folks a firsthand look at “America’s Native Spirit,” to explore its fascinating roots dating back to the 1700s, and to experience the art of crafting bourbon at seven major distilleries. In 2012 the Bourbon Trail set new attendance records with a whopping 509,292 visitors.

Following the trend of rising interest in bourbon, micro-distilleries crafting small batches of bourbon, malt whiskey, vodka, gin, moonshine and other spirits have been springing up across the country. That includes Kentucky, of course, and in October 2012 Gov. Steve Beshear announced the launch of the Kentucky Bourbon Trail Craft Tour that stretches from Marshall to Mason counties. Entrepreneurs and adventurers own some of the seven artisan distilleries, while others are reviving a family legacy.

Participants in the Kentucky Bourbon

Trail Craft Tour’s Passport Program who collect stamps from visiting all seven distilleries will receive an official mint julep cup.

Following is a peek at what awaits guests on the tour.

Barrel House Distilling Company

Set to reawaken Lexington’s Distillery District, Barrel House began operations in 2008 in the barreling house of the Old Pepper Distillery, which operated from the late 1700s until 1958. Currently, Barrel House features three spirits: Oak Rum, aged in bourbon barrels; Devil John Moonshine, named for the legendary Devil John; and Pure Blue Vodka.

Corsair Artisan Distillery

With operations in Nashville, Tenn., and Bowling Green, Ky., the Corsair Artisan Distillery was co-founded by Nashville natives Andrew Webber and Darek Bell. Bell has written a book, “Alt Whiskeys,” about innovative techniques, alternative

and unconventional grains and unusual botanicals in microbatch whiskeys.

“We’re experimenting with other grains, such as spelt, amaranth, quinoa and different types of corn, such as blue corn,” explained Clay Smith, head distiller and distillery manager for Corsair’s Kentucky plant, which opened in late 2008. “We just came out with amaranth whiskey.”

The winner of 41 medals at international spirits competitions, Corsair makes gin, vodka, rum and absinthe at its Bowling Green location, and whiskey and moonshine in Nashville.

Limestone Branch Distillery

Brothers Steve and Paul Beam carry on a family tradition in Lebanon at Limestone Branch Distillery. Their great-grandfather began distilling mash whiskey in 1836, only a few miles down the road from their current operations.

On a tour, visitors learn the distillery process in layman’s terms, including bottling and proofing methods. Afterwards, you can sample 100 proof, flavored moonshine and also a ‘shine aged in used bourbon barrels. The distillery’s bourbon and rye may be available in late 2013.

MB Rowland Distillery

Set on a former Amish dairy farm in Christian County, MB Rowland Distillery, opened in 2009, is owned and run by wife and husband entrepreneurs Merry Beth (Rowland) and Paul Tomaszewski, who use local grains to produce handmade distilled spirits, including various whiskeys, flavored moonshines, rum and whatever they “get an itch to try,” like Kentucky Mint Julep liqueur.

Cashing in on the region’s dark-fire tobacco heritage, the distillery’s most popular product to date is Black Dog. The corn for this product is dark fired, or smoked, in a tobacco barn to impart a smoky, sweet flavor. White Dog, or Silver Bourbon, is made from sweet white corn.

A few times each year, MB Rowland offers Camp Distillery, an all-day class on how to start your own distillery. The next session is on April 8, with reservations required and a class limit of 15.



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WWW.PARKS.KY.GOV

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Curtis Smith at (502) 548-0434.

Old Pogue Distillery

During the Whiskey Rebellion, settlers from eastern states fleeing the whiskey tax came to Mason County and began distilling bourbon in 1790. At one time, 300 distilleries operated in the area. Several generations of Pogues were involved in distilling from 1876 until Prohibition.

Picking up that historic thread, last April the Old Pogue Distillery, operated by fourth-, fifth- and sixth-generation Pogues, opened in the family's historic home in Maysville, making small-batch bourbon and rye whiskeys.

Tours are by appointment only.

Silver Trail Distillery

A visit to the Silver Trail Distillery's website

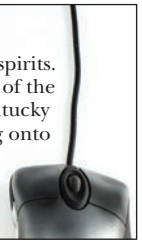
may entice you to make a trip to Hardin just to find out more about its exciting history. Owner Spencer Balentine's dad was a moonshine runner in West Kentucky's Golden Pond area. Silver Trail was the proud winner of gold in the moonshine category of the 2012 SIP Awards International Spirits Competition.

Willett Distillery

Willett Distillery in Bardstown is all about family history. Born in 1841, John David Willett was master distiller at Moore, Willett & Frenke. His son Lambert was in the bourbon business, as was Lambert's son, Thompson, who founded the Willett Distilling Company in Bardstown. Thompson's son-in-law,

Get the scoop

See the stills and sample the spirits. To find out more about each of the artisan distilleries on the Kentucky Bourbon Trail Craft Tour, log onto lanereport.com and click on Exploring Kentucky.



Even Kulsveen, has headed the business since 1984.

After seven years off for renovations, the Willett family began distilling once again in January of 2012. ■

Katherine Tandy Brown is a correspondent for The Lane Report. She can be reached at editorial@lanereport.com.



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This is a rendering of the Hampton Inn and Suites hotel project by the Malcolm Bryant Corp. set for completion later this year in Owensboro, which was able to undertake a \$176 million renovation of its downtown riverfront thanks to \$80 million in public bonds backed by an increase in the local insurance tax.

Local-Option Sales Tax

Kentucky communities need the same tools as their competitors in other states

IN the business world, successful companies keep an eye on the tools and technologies employed by their competitors.

In the public sector, cities and regions have competitors, too. They compete with other communities around the country, and around the globe, for new businesses and smart young entrepreneurs. These cities even compete to keep their own children and grandchildren home to grow their economies.

In light of this, Kentucky cities and counties must ask a business-oriented question: What economic development tools do we need to compete in a 21st-century economy?

In 2011, our coalition of mayors and county judges from several metropolitan areas of Kentucky joined together to strategize about how we could more effectively compete in the global economy and champion the future for Kentucky's local governments in Frankfort. With 60 percent of Kentuckians living in metro areas – and with metro areas being the economic engine for the entire state, producing 70 percent of the state gross domestic product – a full set of tools is needed for our municipalities to win in the global economy.

It was quickly evident to our group, the Metropolitan Alliance for Growth, that Kentucky citizens do not have the basic voting right that is present in 37 other

states: the right to vote on whether to invest in their communities through the funding of projects via a local-option, limited-purpose and limited-time sales tax. These capital projects – roads, parks and other infrastructure needs – improve the quality of life in our communities and are vital for our cities and counties to stay competitive nationally.

LIFT – Local Investments for Transformation – is a tool that would allow local governments to compete on a level playing field with other municipalities that allow voters to decide important community projects. The decision to invest in capital projects is decided by the voters, who know in advance how much the projects will cost, how they will be paid for (such as a penny sales tax) and when the tax will end. Think about all of the improvement projects you would like to see happen in your community but the answer seems to always be the same: “There is no money.” LIFT can solve that problem through one powerful penny – and it will also create construction jobs that put citizens to work.

For example, a city could suggest up to a 1-cent sales tax for three years to build specific projects. The citizens vote that particular proposal – up or down. They can vote “yes” – as Oklahoma City did recently to upgrade its riverfront for an Olympic Rowing Center that brings visitors, investment and new recreational

opportunities to their community. Or they can vote “no” as the Atlanta region did last year on a massive public transportation proposal. The point is that the citizens get to choose through a vote.

To allow Kentuckians this same right, the first step is to amend the Kentucky Constitution – if 60 percent of the state Senate and House members vote to put the question of the local option on a statewide referendum. The earliest citizens could vote on this constitutional change would be November 2014.

If the state constitutional amendment is approved with 50 percent of the vote, cities and counties could then decide to bring a referendum to their voters to fund specific projects in their cities as soon as November 2015.

A few legislators have noted that Kentucky cities and counties already have the option to raise occupational and property taxes to pay for projects. That's true; however, citizens do not support raising these taxes. This is all about citizen choice, and citizens support the option to raise the sales tax because they view this tax as more fair and equitable. That's why so many localities nationwide use the local sales tax option to fund projects.

Please call your representative in Frankfort and tell them that Kentuckians deserve the right to control their own futures and have a voice in local capital investment decisions – and we need LIFT to make it happen.

Signed,

Gary W. Moore
Boone County Judge/Executive

Steve Pendery
Campbell County Judge/Executive

Al Mattingly
Daviess County Judge/Executive

Harry L. Berry
Hardin County Judge/Executive

Steve Arlinghaus
Kenton County Judge/Executive

Jim Gray
Lexington Mayor

Greg Fischer
Louisville Mayor

Mike Buchanan
Warren County Judge/Executive

Mapping Our 'Only One Kentucky' Uniqueness

THE new 2013 Kentucky Official Highway Map now available across the state picks up the Department of Travel's current "Only One Kentucky" marketing theme to spotlight the commonwealth's beauty, natural features and one-of-a-kind tourist attractions, including:



- The Kentucky Bourbon Trail, which explores the tradition and heritage of "America's Official Native Spirit."

- Eastern Kentucky's Red River Gorge Scenic Byway, featuring stone arches, caves, cliffs, ravines and waterfalls.

- The Great River Road in far Western Kentucky, which highlights Mississippi River art, cultures, ideas, music and people.

- The Wilderness Road Heritage Highway, which follows the steps of Daniel Boone through Cumberland Gap, Renfro Valley and Berea toward settlement of the West.

- The Belle of Louisville, America's last true Mississippi River steamboat still in operation.

- The Lincoln Heritage Scenic Highway, which winds through six historic communities that played a role in the great president's early life.

View or download the Official State Highway Map, county maps or city maps at transportation.ky.gov/maps/pages.

Education Passes Test for Better Jobs, Pay in Ky.

SIXTY-one percent of the state's 2006 graduates from public or independent postsecondary institutions are employed here five years later, says a new Kentucky Center for Education and Workforce Statistics report.

"The Employment and Earnings of Kentucky's College Graduates: A Preliminary Report" compares employment and earnings for people who completed different levels of degrees and credentials, as well as for various academic majors, and is the first time Kentucky has tracked actual graduates-employment data.

"This information is important to policymakers because it provides a preliminary gauge for the return-on-investment for education programs, and it helps us understand how likely our college graduates are to remain in Kentucky after they finish their credentials," said Charles McGrew, executive director of KCEWS. "Educators, parents and students can use the data to make more informed decisions about career choices and what they can expect in income from various degrees."

The data illustrates that Kentucky students who complete higher levels of education are earning more money, McGrew said. Median annual earnings in 2011 for the graduates employed in

Kentucky ranged from \$23,117 for certificate earners to \$72,500 for those who completed professional programs.

The difference between median earnings for people who completed bachelor's and associate's degrees was about \$4,000 per year. The median earnings gap between a bachelor's and a master's degree was about \$12,000 per year.

The report found 70 percent of in-state students who completed a credential were working in Kentucky five years later as opposed to 21 percent of out-of-state or non-resident students.

Health/social services and education were the largest Kentucky employers of 2006 graduates after five years. More than half those who completed a 2006 master's in Kentucky work in education; teachers must continue their education beyond a bachelor's degree to remain employed, something most professions do not require, McGrew said.

More than half of the people who completed a degree or certificate in 2006, and as much as 91 percent of those who completed a master's degree, work in a primarily publicly funded sector, including education, healthcare or public administration. Roughly four out of five of people who completed a master's degree were working five years later.

Ky. Company PHOENIX Named Exporter of the Year

A Louisville mining industry equipment maker that began focusing on international trade decades ago has received a high honor from *Commercial News USA*, the official export promotion magazine of the U.S. Department of Commerce. PHOENIX Process Equipment Co. is



one of 13 American companies named 2013 Exporters of the Year. It won in the industrial equipment, services and supplies category.

Winners were selected based on: total documented export transactions; percentage increase in sales; exports as a percentage of all sales; commitment to exporting; commitment to customer service; and innovation and originality in marketing products or services.

"PHOENIX is indicative of how proactive American companies are growing by exporting," said Gregory Sandler, *Commercial News USA* editor and publisher. "This year's winners reflect the diversity of American exporters, 97 percent of whom are small- to medium-sized enterprises. Exporting is a critical part of the U.S. economy, accounting for 12.5 percent of the nation's GDP. In fact, 70 percent of the world's purchasing power is located outside of the United States."

Founded in 1984, PHOENIX's successful technologies led the company to become an international leader in liquid/solid separation and residual thickening and dewatering equipment.

Through internal development and strategic partnerships, PHOENIX established a broad base of equipment offered through its worldwide network of sales representatives for the municipal, industrial, aggregate, mining and industrial minerals markets.

The Exporter of the Year Awards will be presented this spring in Washington, D.C., and the winners will be profiled in the May/June 2013 issue of *Commercial News USA*.

KENTUCKY PEOPLE

LOUISVILLE: FORD CELEBRATES 100TH ANNIVERSARY OF LOUISVILLE PLANT



In February, Ford Motor Co. celebrated the 100th anniversary of its Louisville Assembly Plant, which opened in 1913 with 17 employees making an average of 12 cars day. Today, Ford is Kentucky's largest automaker, employing more than 8,500 workers in two Louisville plants that produce more than 650,000 vehicles a year. To mark the occasion, Ford conducted a news conference at the Kentucky Exposition Center, where local and state elected officials presented the company with resolutions noting Ford's contribution to the "economic, social and cultural heritage" of Louisville and Kentucky. From left are: Louisville Metro Councilman David James; Lt. Gov. Jerry Abramson; state Rep. Larry Clark, D-Louisville; Joseph Bobnar, manager of the Ford Kentucky Truck Plant; John Savona, manager of the Louisville Assembly Plant; Mayor Greg Fischer; and U.S. Rep. John Yarmuth.

LEXINGTON: VENTURE CLUB'S ANNUAL MEETING CELEBRATES ENTREPRENEURS



Lexington business and community leaders gathered on Jan. 31 for the Lexington Venture Club's annual celebration recognizing entrepreneurial companies in the Bluegrass region. Pictured here are (left to right) John Meister, Super Soul; Michael and Pang Hartman, Frogdice; Evan Leach, Stadionaut; Rich Burlingame, Allylix; Dr. Eli Capilouto, president of the University of Kentucky; and Bob Quick, president and chief executive officer of Commerce Lexington Inc.

Alaina Stephens/Commerce Lexington Inc. photo

FRANKFORT: KENTUCKY LEGISLATORS CONVENE IN CAPITAL FOR 2013 SESSION

LRC Public Information photos



U.S. Sen. Rand Paul (far right) joined (left to right) U.S. Congressman Thomas Massie (R-KY), U.S. Congressman John Yarmuth (D-KY) and Kentucky Commissioner of Agriculture James Comer last month to testify in favor of an industrial hemp bill up for consideration in the Kentucky Senate Agriculture Committee.

BOWLING GREEN: WARREN COUNTY BAR ASSOCIATION ELECTS LEADERS FOR '13



The Bowling Green-Warren County Bar Association recently elected new officers for 2013. Pictured from left to right are: Dov Moore (Cole and Moore PSC), secretary; Lindsay Hinton (Reynolds, Johnston, Hinton & Pepper), vice president; Walter Hawkins (Hawkins Law Office LLP), immediate past president and Aaron Smith (English, Lucas Priest & Owsley LLP), president. Not pictured: Deborah Wilkins (general counsel, Western Kentucky University), treasurer.

We want your photos!

Submissions must be high-resolution photos (minimum 300 dpi) and should include a brief description of the event at which the picture was taken and identification of the people featured in the photo. Please send submissions to editorial@lanereport.com with "Kentucky People" in the subject line.

KENTUCKY COLLECTIBLES

**Do you have hidden treasures
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To find out, join us Saturday, June 22, at the KET studios in Lexington for KET's *Kentucky Collectibles* appraisal fair! For only \$100, you'll receive a ticket good for one person to bring in up to two items to be appraised by an expert appraiser. Plus, your story may be featured on the next season of *Kentucky Collectibles*!

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Music • Nussbaum Antiques • Richard
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