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KENTUCKY'S BUSINESS

CE FOR 28 YEARS

APRIL 2013

\$4.50

## HIGH-OCTANE INVESTMENT

NASCAR stars and racing fans rev up economy during racing season at \$250 million Kentucky Speedway

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LANE ONE-ON-ONE:  
**PAUL ROOKE**  
Chairman and CEO,  
Lexmark International Inc.







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### Louisville

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**1<sup>st</sup> Session**  
**Introduction**

How the Affordable Care Act's new rules and regulations will impact businesses providing health insurance to their employees.



Presented by seminar moderator **Vickie Yates Brown, J.D.**, president/CEO of Nucleus and co-chair of the health

law practice group at Frost Brown Todd LLC.

**2<sup>nd</sup> Session**  
**Employer's compliance requirements and decisions required before 2014**

New rules apply to large and smaller employers' shared responsibility for health care.



Presented by **Alison Stemler, J.D.**, employee benefits practice group, Frost Brown Todd LLC.

**3<sup>rd</sup> Session**  
**Federal requirements concerning standard benefits and premiums packages**

A discussion of the ACA's oversight of the health insurance functions provided by state departments of insurance.



Presented by **D.J. Wasson**, acting director of the Kentucky Department of Insurance.

**SEMINAR NOTES**

**4<sup>th</sup> Session**  
**Role of the Health Insurance Exchange**

Beginning Oct. 1, 2013, Kentuckians can access the Kentucky Health Benefit Exchange. How the exchange will work, insurance products offered and penalties for improper access will be discussed.



Presented by **William Nold**, deputy director of the Office of the Kentucky Health Benefit Exchange.

**5<sup>th</sup> Session**  
**Health care reform and its impact on health insurance coverage premiums**



*Lawrence Ford*



*Dave Kemmerly*

Presented by **Lawrence Ford**, Director of Government Relations for Anthem Blue Cross and Blue Shield; and **Dave Kemmerly**, director of state public affairs at Humana; and a representative of United Healthcare Kentucky.

**6<sup>th</sup> Session**  
**Questions and Answers**

A panel of speakers will accept questions from seminar participants.

For more information on the Kentucky Health Care Reform Seminar, contact Lori Jo Hill at 502-848-8727.

## Kentucky Health Care Reform Seminar

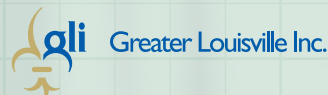
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### On the Cover

Racing stars such as Danica Patrick are among the celebrity NASCAR drivers who attract more than 100,000 fans to \$250 million Kentucky Speedway for major races like the Sprint Cup Quaker State 400 that will take place June 29 this year.

(Paul Blodgett photo illustration)

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## PERSPECTIVE

### POLICY TOPS POLITICS AS USUAL

Bipartisanship, compromise  
bring success at 2013 session

BY DAVE ADKISSON

THE 2013 session of the Kentucky General Assembly closed with a flurry of late-night compromises resulting in many important pieces of legislation passing for business. Many were skeptical that the bipartisan tone established early in session would lead to real progress for the commonwealth. Fortunately, despite major philosophical differences on some emotional issues and competing political agendas, the bipartisan atmosphere in Frankfort was sustained and produced real, measurable results. For the first time in many years, policy championed over politics.

Compromise enabled many business-friendly bills to work through the legislative process and be sent to the governor for his signature, including:

#### • Public Employee Pension Reform

– Despite opposition from public unions and an unfortunate amount of misinformation about the legislation, **Gov. Steve Beshear** and a bipartisan group of legislators were able to forge an agreement and pass the chamber's top legislative priority. Senate Bill 2, sponsored by **Majority Floor Leader Damon Thayer**, will keep the promise of pensions for current employees, increase oversight of the retirement system and set forth an affordable pension system for the future. This legislation is the most consequential piece of fiscal policy passed in Kentucky in decades and would not have been possible without bipartisan leadership.

#### • Dropout Age Raised

– SB 97 gives local districts the ability to raise the dropout age from 16 to 18 in the 2014-2015 school year. When 55 percent of the local school districts have adopted the policy, all Kentucky school districts will be required to adopt the compulsory attendance requirement. Legislative leaders worked together this session to reach a compromise in SB 97, sponsored by **Sen. David Givens**.

• **Early Graduation** – Introduced by **Sen. Mike Wilson**, SB 61 allows high school juniors who meet specific academic criteria to graduate from high school early and attend a public two-year or four-year postsecondary institution, allowing them to enter the workforce sooner.

• **Special Taxing Districts** – HB 1, sponsored by **Speaker Greg Stumbo**, creates a centralized registry for special taxing districts. This proposal, a result of the work by **State Auditor Adam Edelen**, will require special taxing districts to create budgets and demonstrate to taxpayers that funds are being used efficiently.

• **University Bonding** – HB 7, sponsored by **Rep. Rick Rand**, allows public universities to issue their own debt or revenue-generating projects such as dormitories, student activity centers and research facilities.

• **One Business ID** – Introduced by **Rep. Mike Denham**, HB 343 creates a single business identification number for businesses that file various documents with state agencies. This bill cuts a significant amount of red tape for small businesses that currently deal with multiple business identification numbers for each agency they deal with.

• **Alcohol Modernization** – Kentucky's alcohol laws were brought closer to 2013 standards with the passage of SB 13, which will allow alcohol sales on election days. Other improvements were also added to the bill, including allowing Kentucky's microbreweries to sell the products they produce on site without unnecessary hurdles.

• **Industrial Hemp** – SB 50, sponsored by **Sen. Paul Hornback**, creates a structure for the regulation and production of industrial hemp if and when the federal government allows it to be grown.

• **Water Quality Programs** – Introduced by **Rep. Fitz Steele**, HB 378 establishes a clear policy and process for the Energy and Environment Cabinet's development of total maximum daily loads (TMDL) across the state.

Overall, the 2013 session was a success – not only in tone but in the progress that was achieved. Although a number of important issues were unresolved – including telecommunications modernization, legislation to clarify independent contractors and charter school legislation – the new tone in Frankfort suggests addressing these issues in the future is possible. On behalf of the thousands of business leaders representing the Kentucky Chamber, we commend the General Assembly and look forward to working toward more progress in the future. ■



Dave Adkisson is president and CEO  
of the Kentucky Chamber of Commerce



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## STATE: KENTUCKY GENERAL ASSEMBLY PASSES PENSION REFORM BILL; CREATES HYBRID CASH-BALANCE PLAN

**A**FTER weeks of negotiation, the **Kentucky General Assembly** has passed bills stabilizing and modernizing the state's pension system.

The new bills address the lack of funding for the **Kentucky Retirement Systems** that includes state and local employees. The system currently faces some \$18 billion in unfunded liabilities, which in turn has affected the state's standing in the eyes of the national bond rating agencies. Within the last year, both **Standard and Poor's Rating Services** and **Moody's Investor Service** have labeled Kentucky's financial outlook as negative, citing the unfunded pension liability. A downgrade in bond rating means it costs taxpayers more for public building projects, as it increases the borrowing costs.

The new pension reform plan creates funding to pay the state's full recommended annual pension contribution without threatening key state services, such as education and public safety. The companion bills, House Bill 440 and Senate Bill 2, passed both chambers, eliminating the need for a special session on pension reform.

The increased cost to fully fund the actuarially required contribution to the Kentucky Retirement Systems is estimated at \$100 million per year from the General Fund. The agreement fully funds the annual increased estimated state obligation to the pension plan, beginning in fiscal year 2015.

To address long-term sustainability issues, SB2 creates a hybrid cash-balance plan for future state and local employees hired on or after Jan. 1, 2014. The hybrid plan is approximately actuarially equivalent to the existing benefit plans, and provides state and local governments with improved predictability and stability for pension costs. HB440 reduces the personal tax credit by \$10 – which will generate about \$32.5 million annually to the General Fund – and provides a new trade-in tax credit for the purchase of a new car.



## STATE: LEGISLATURE OK'S \$363M IN BONDS FOR PROJECTS AT 6 UNIVERSITIES WITHOUT USING TAXPAYER DOLLARS

**E**LEVEN major construction projects at six state universities will soon be under way thanks to a new bill passed by the Kentucky General Assembly that allows the schools to issue bonds for project financing – without using taxpayer dollars.

House Bill 7 authorizes \$363.3 million in agency bonds by Kentucky's public universities for campus improvements that include dormitory renovations, new student centers and athletic facility improvements. The bonds will have an estimated economic impact of nearly \$623 million and will support 5,110 jobs.

The bonds will be paid for through existing revenue streams such as student fees and athletic revenues. However, the bill prohibits the universities from raising tuition as a result of the construction process. To achieve the needed funding at the University of Kentucky, UK will utilize athletic revenues to help pay for construction of an academic building, which is a first for a Kentucky university.

The projects supported by agency bonds include:

- **Morehead State University:** Residence hall renovation, \$9.2M
- **Murray State University:** Residence hall renovation, \$9.9M; College Courts housing sprinkler system upgrade, \$590,000; Capitol renewal projects, \$4.9M
- **Northern Kentucky University:** Residence hall acquisition and renovation, \$12M; Albright Health Center renovation, \$45M
- **University of Kentucky:** Gatton College of Business and Economics renovation, \$65M; Commonwealth Stadium/Nutter Training Center renovation, \$110M; Academic Science Building construction, \$100M (\$65M contributed by athletics revenue)
- **University of Louisville:** Student Activities Center renovation, \$9.6M
- **Western Kentucky University:** Honors College and International Center construction, \$22M



UK photo

*The University of Kentucky's Carol Martin Gatton College of Business and Economics is slated for a \$65 million renovation. As of the beginning of March, nearly \$34 million in private funds had been donated or pledged toward that amount, with nearly 300 individuals, foundations and corporations contributing.*

## OWENSBORO: U.S. BANK ADDS 332 NEW JOBS FOR MORTGAGE OPERATIONS

**I**N Owensboro, **U.S. Bank** has announced plans to add a new facility and 332 new jobs as part of a \$15.2 million expansion of the company's mortgage operations.

U.S. Bank is the fifth-largest bank in the United States, with 3,084 branches in 25 states, and 40 **U.S. Bank Home Mortgage** production offices nationwide. The new office brings the total number of U.S. Bank Home Mortgage operations centers in Owensboro to six.

The service centers support U.S. Bank's portfolio of more than 1.6 million mortgage loans that total approximately \$266 billion in balances. The expansion in Owensboro will meet increased demand for U.S. Bank's mortgage services.

U.S. Bank first opened a mortgage-servicing center in Owensboro in the late '70s and now has nearly 1,900 employees in Owensboro. The company announced plans to add 500 jobs in 2011 and has continued to experience tremendous growth over the last 12 months, adding \$31 billion in outstanding balances and 163,000 new customers. That growth, said Bob Smiley, executive vice president and head of servicing for U.S. Bank Home Mortgage, was the driving force behind the company's decision to expand its servicing capacity.

U.S. Bank's success has also benefited the Owensboro community, said Owensboro Mayor Ron Payne.

"The economic partnership the city of Owensboro has found in U.S. Bank has been a great success," Payne said. "U.S. Bank has contributed to a 70 percent increase in Owensboro's GDP in the financial sector, jumping from \$400 million prior to the growth of U.S. Bank to more than \$680 million recently."



## Submissions Welcome

To submit news and photographs for publication in Fast Lane, please mail information to: The Lane Report, 201 East Main Street, 14th Floor, Lexington, KY 40507-2003 or send via e-mail to editorial@lanereport.com.

Color photographs are preferred, either in standard form or digital. For digital photographs, a resolution of 300 dpi is required, formatted in either jpeg or tif.





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## BUSINESS BRIEFS



### ELIZABETHTOWN

■ **Sun Tan City**, an Elizabethtown-based chain of tanning salons, has expanded into Rochester, N.Y. with the addition of six locations there. Founded in 1999, Sun Tan City began franchising in 2007 and now has 136 franchise locations and 93 company-owned stores across 17 states.

■ **The Greenbrier Companies Inc.**, an Oregon company that provides equipment and services to the railway industry, has announced plans to sell all of the equipment used at its reconditioned wheelset roller bearing equipment operations in Elizabethtown to **The Timken Co.** for an undisclosed price. Greenbrier has operated the Elizabethtown plant since 2008 and it is the company's only such facility, but recent changes in rules related to reconditioned components and a reduced availability of key materials resulted in the company deciding to withdraw from the bearing business. The decision will mean the layoff of 58 Elizabethtown employees, but a Greenbrier spokesman told *The (Hardin County) News-Enterprise* that they would be offered the opportunity to transfer to another Greenbrier facility.

■ **Areva Pharmaceuticals Inc.**, an Elizabethtown company that produces injectable and ophthalmic pharmaceuticals, is planning to locate a global distribution center in Lanesville, Ind., near I-64. The facility is the initial part of a planned multi-phase project that will include a research and development facility and a manufacturing plant. The company is taking advantage of a local incentive package worth more than \$7 million over the next three years, with the **Indiana Economic Development Corp.** promising to add more than \$2 million.

■ **Altec Industries Inc.** has acquired a parcel of land in the Elizabethtown-Hardin County Industrial Foundation (EIF) with plans to expand its existing Elizabethtown facility, according to *The (Hardin County) News-Enterprise*. The Elizabethtown facility manufactures components for heavy vehicles such as aerial lifts, digger derricks and truck-mounted cranes. Rick Games, president of EIF, told *The News-Enterprise* that the expansion would create approximately 65 jobs.

### ERLANGER

■ **Fives Group**, an industrial engineering group headquartered in Paris, France, has entered into a definitive agreement to acquire Erlanger-based **MAG Americas**, a global supplier of high-performance machining solutions and composite processing. The acquisition encompasses several business units, including **Giddings & Lewis**, **Cincinnati**, **Forest-Liné** and a unit dedicated to aftermarket services, as well as a portfolio of more than 100 patents. MAG has approximately 3,500 employees at 34 facilities worldwide and reported revenues of \$1.3 billion in 2011.



MAG photo

### FRANKFORT

■ Japan-based automotive supplier **Hayashi Telempu** is investing more than \$10.7 million to establish a manufacturing plant in Frankfort that will create 103 new jobs. The company, which manufactures automotive interior parts, dates back to 1947 and currently has more than 3,000 employees at offices and plants around the world, including an office location in Lexington. The Frankfort plant is expected to be operational by September 2014.

### FULTON

■ Candle and fragrance manufacturer **MVP Group International Inc.** is investing more than \$5.2 million to establish a manufacturing operation in Fulton, creating 150 new full-time jobs. The Charleston, S.C.-based company is one of the world's largest manufacturers of private-label candles and home fragrance goods, creating products sold under brands that include **Colonial Candle Co.** and **Olde South Candle Co.**, among others. The company will occupy an existing 60,000-s.f. facility in Fulton.



Colonial Candle/PRNNews.com

## STATE: GOVERNOR WILL LEAD INAUGURAL KENTUCKY TRADE MISSION TO CANADA

G OV. Steve Beshear will lead an international business trade mission in June to Toronto, Canada, a trip that represents the first-ever **Kentucky Export Initiative** trade mission.

Comprised of government entities, business organizations and trade experts, KEI was formed in December 2010 with the goal of increasing export activity among the state's small and medium-sized businesses.

"This trade mission will give Kentucky businesses the opportunity to have one-on-one meetings, open avenues to increase sales and explore a market that's only an 11-hour drive from Kentucky," Beshear said.

Interested companies may register to take part in the trade mission, which will run from June 4-7. The trip will feature a reception on June 5 to celebrate and help build business relationships between Kentucky and Canadian companies.

Canada currently ranks as the commonwealth's No. 1 export destination.

Companies interested in participating in the trade mission are encouraged to act quickly due to limited spacing. Some companies may be eligible for grant assistance 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](http://KYExports.com).



Tourism Toronto photo

*A three-day Kentucky Export Initiative trip to Toronto, Canada, will enable participants to make business connections in the country that ranks as Kentucky's top export destination.*

## LEXINGTON: TEMPUR-PEDIC COMPLETES SEALY PURCHASE, UNVEILS NEW NAME

T EMPUR-Pedic International Inc., the Lexington-based manufacturer of premium mattresses and pillows, has completed its previously announced acquisition of **Sealy Corp.** and announced plans to change its corporate name to **Tempur Sealy International Inc.**

The combination of Tempur-Pedic and Sealy creates the world's largest bedding provider. Together, Tempur-Pedic and Sealy have a brand portfolio that includes some of the industry's most highly recognized brands, including **Tempur**, **Tempur-Pedic**, **Sealy**, **Sealy Posturepedic**, **Optimum** and **Stearns & Foster**.

Tempur-Pedic acquired all of the outstanding common stock of Sealy for \$2.20 per share and assumed or will repay all of Sealy's outstanding convertible and nonconvertible debt, for a total transaction value of approximately \$1.3 billion.

The proposed name change is being submitted for stockholder approval at the company's annual meeting in May. The company will remain headquartered in Lexington and the stock will continue to trade on the **New York Stock Exchange** under "TPX."

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## BUSINESS BRIEFS

### GEORGETOWN

■ Chicago-based **Universal Scrap Metals (USM)** has expanded into Kentucky with the acquisition of **Anheuser-Busch Recycling Corp.**'s recycling facility and equipment in Georgetown. The Georgetown facility – which has the capability of shredding, sorting and processing 5 million pounds of aluminum per month – will operate as **USM Alumacycle**.

■ **Toyota** has announced that it will begin exporting its **Venza** SUV to Russia and Ukraine, beginning in April. The Venza is produced at Toyota's Georgetown plant. The company expects to ship approximately 5,000 Venzas to Russia and Ukraine during the first year of sales.



Toyota photo

### HARRODSBURG

■ A ribbon-cutting ceremony was held on March 7 at **Wausau Paper** to celebrate the company's \$220 million expansion. Wausau Paper has produced towel and tissue paper products at its Harrodsburg plant since 1990. The company's latest expansion included the installation of a new 138-ton machine that can produce about 75,000 tons of towel and tissue products per year. With the addition of 76 new full-time jobs, the plant now employs more than 470 people.

### HEBRON

■ Online discount retailer **Overstock.com** has opened a facility in Hebron to handle product returns and outbound shipments. The Utah-based company has initially hired a staff of 22 at the Hebron facility and plans to add another 50 jobs by December.



### LEXINGTON

■ Custom injection moldings operation **Blue Star Plastics Inc.** of Lexington has been purchased by **Seventh District Holdings LLC**, a family-run international operation with business connections in Europe, the Middle East and the United States. Blue Star was founded in 1984 by Roger Storch and Don Keim and now has 50 employees. "Blue Star grew 25 percent last year and should exceed that this year," Storch said. "Continued growth requires additional investment, and the Hamza family is prepared to take the necessary steps for Blue Star Plastics to reach the next level." Mohammed Hamza, director of Seventh District Holdings, will be moving to Lexington to assume leadership of Blue Star. Financial details were not released.

■ **Hummingbird Nano Inc.** is investing more than \$550,000 to expand its operations at the **University of Kentucky** Coldstream Research Campus, where the company produces ultra-small, precision-molded components for the biotechnology, telecommunications, aerospace, energy and defense industries. The expansion of the Lexington facility, which will add 18 new jobs, will include production of precision devices for the health and biotechnology sectors. Hummingbird Nano CEO R. Grant Stephens said that the company "is ultimately a result of resources supplied by Kentucky, from beginning to end," noting that all of the principal officers and employees hold engineering degrees from the University of Kentucky. The Kentucky Economic Development Finance Authority has preliminarily approved the company for tax incentives of up to \$300,000 through the Kentucky Business Investment program.

### LOUISVILLE

■ **Rev-A-Shelf**, a Louisville company that specializes in lighting solutions and organizational accessories for cabinetry, plans to break ground in May on a new 315,000-s.f. building in eastern Jefferson County that will enable the company to consolidate its three Louisville-area locations and 300-plus employees into one facility. In addition to manufacturing, the new building will house an expanded testing facility, showrooms and an interactive training facility. The 30.45-acre tract will also accommodate future expansion.

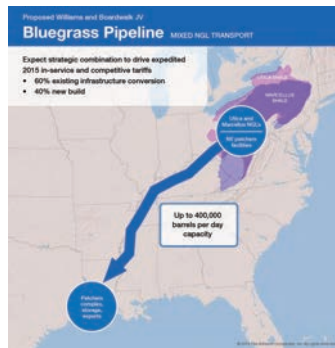


■ **The Presbyterian Church (USA)** is eliminating 12 jobs at its Louisville headquarters facility as part of a reorganization of the church's Office of the General Assembly, paring the staff from 45 to 33. The staffing changes will bring the agency nearly \$1 million closer to its goal of reducing the per capita budget from \$14 million to \$10 million by 2016.

## STATE: PIPELINE TO TRANSPORT NATURAL GAS LIQUIDS THROUGH KY TO GULF

### WILLIAMS and Boardwalk Pipeline Partners

have formed a joint venture to develop a pipeline project that will transport natural gas liquids (NGL) from the infrastructure-constrained Marcellus and Utica shale plays in upper Appalachia to the rapidly expanding petrochemical and export complex on the U.S. Gulf Coast and the developing petrochemical market in the Northeast.



The proposed "Bluegrass Pipeline" design would provide producers with 200,000 barrels per day of mixed NGLs take-away capacity in Ohio, West Virginia and Pennsylvania. The proposed pipeline could be increased to 400,000 barrels per day to meet market demand. It would deliver mixed NGLs from the producing areas to proposed new fractionation and storage facilities, which would have connectivity to petrochemical facilities and product pipelines along the coasts of Louisiana and Texas. Williams and Boardwalk are also exploring development of a new export liquefied petroleum gas terminal and related facilities on the Gulf Coast to provide customers access to international markets.

As proposed, the Bluegrass Pipeline would include:

- Constructing a new NGL pipeline from producing areas in West Virginia and Ohio to an interconnect with Boardwalk's **Texas Gas Transmission** system in Hardinsburg, Ky.
- Converting a portion of Texas Gas from Hardinsburg to Eunice, La. (the **TGT Loop Line**), from natural gas service to NGL service, including construction of new pump stations and related facilities
- Constructing a new large-scale fractionation plant and expanding natural gas liquids storage facilities in Louisiana and a new pipeline connecting these facilities to the converted TGT Loop Line.

Williams and Boardwalk are currently engaged in comprehensive project development planning and expect to place the planned project into service in the second half of 2015, assuming all necessary conditions are met.

Boardwalk has two home offices, one in Owensboro and the other in Houston.

## HOPKINSVILLE: HOPFED BANCORP INC. TO BUY SUMNER BANK & TRUST FOR \$14M

**HOPFED Bancorp Inc.** the parent company of **Heritage Bank** in Hopkinsville, has entered into a definitive agreement to acquire Gallatin, Tenn.-based **Sumner Bank & Trust** for approximately \$14.3 million in cash.

Sumner, a state-chartered bank that opened in 2005, has full-service banking centers in Gallatin and Hendersonville, Tenn., and loan production offices in Franklin, Lebanon and Jackson, Tenn. As of Dec. 31, 2012, Sumner had total assets of \$184 million.

Heritage Bank has 18 offices in western Kentucky and middle Tennessee, in addition to its subsidiary, **Fall & Fall Insurance** of Fulton, Ky. Heritage also operates **Heritage Solutions**, a financial services company with locations in Murray and Hopkinsville, Ky., and Kingston Springs and Pleasant View, Tenn., and **Heritage Mortgage Services** of Clarksville, Tenn.



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## Growing the Region's Health-Related Economy

The Health Enterprises Network exists to build a vibrant, health-related economy within its 27-county service area. In its thirteenth year, HEN fosters a “culture of health” for our region through membership networking opportunities, communication, leadership programs, education and strategic partnerships. Current membership is composed of 188 companies with 1,200 individual representatives.



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Sara Thompson, discussion recorder, from the network's HARVEST dinner of business professionals to promote the economic issue of wellness and food-driven solutions

## BUSINESS BRIEFS

### LOUISVILLE

■ **FetterGroup**, a Louisville-based printing and manufacturing company, has sold its paint-label business to **Fort Dearborn Co.** for an undisclosed amount. FetterGroup said the move enables the company to focus on its high-growth business of personalized print products and e-commerce platforms for companies such as **Apple** and **Samsung**. The sale will result in the layoff of 54 workers from **Fetter Printing Co.**

■ **The Louisville Orchestra** and its musicians have reached an agreement on a new three-year contract, ending a contract dispute that dates back several years. According to the agreement, musician wages will remain level during the first two years and will increase by 3 percent in the third year. Board President-Elect James Welch called the new agreement a "responsible settlement that enables the board to go forward in the rebuilding process." The orchestra filed for Chapter 11 bankruptcy in 2010; since then, new board members and leadership have been installed to help the organization regain a solid footing.



■ **Alliance Cost Containment (ACC)**, a Louisville-based company that specializes in expense reduction services, has acquired **Cost Containment of Kentucky (CCK)** as part of an aggressive national expansion plan. ACC helps businesses reduce their expenses in areas such as telecommunications, utilities, waste removal, insurance, freight and office supplies. Lexington-based CCK has been an independent ACC franchise since 2004 and has grown to be one of the largest offices in ACC's 23-location system, which spans the United States and Mexico.



■ The **University of Louisville's** board of trustees has approved a voluntary separation incentive plan for employees who have worked at the school for at least seven years and have a combination of age plus years of service that is equal to a minimum of 75. The plan is expected to generate savings of at least \$2.5 million for strategic initiatives,

pay raises for employees or holding tuition increases to a minimum.

■ Kentucky has unveiled a new program to educate and train skilled minority and female workers in the Louisville area for careers in construction. The **"Bridges to Opportunities"** program will help fill the need for women and minority workers on the Ohio River Bridges project, in addition to helping provide trained workers for future construction projects. The program will rely on a volunteer board of community leaders to help recruit and encourage participation in the program, with the Louisville Urban League, the **University of Louisville** and **Kentuckiana Works** among the organizations providing support and guidance. Program information and registration is available at [b2oky.com](http://b2oky.com).

■ **Under30CEO**, a magazine that targets "educated, ambitious, 20-somethings," has named Louisville as one of the top three cities in the nation for young entrepreneurs. The magazine asked its readers to vote on the locations they thought were the best places for a new company to open, based on local resources, culture, atmosphere and overall appeal. Louisville ranked No. 3 on the list, coming in only behind Austin, Texas, and San Francisco and ahead of New York; Nashville; Boston; Portland, Ore.; Denver; Chicago; and Seattle.



### MILLERSBURG

■ Mining equipment manufacturer **Joy Global** has announced that it will close its manufacturing operations in Millersburg by October, a decision that will result in cutting 150 jobs. The Milwaukee-based company has operated in Millersburg since 1953 and currently produces original-equipment feeder breakers, parts and components. Those operations will be moved to the company's Longview, Texas, facility. The company plans to retain 37 employees in Millersburg who will focus on engineering, sales and marketing. Joy Global also has Kentucky operations in Lebanon and Salyersville and warehouses in Henderson and Lovely.

## STATE: KENTUCKY RANKS 10TH IN THE NATION FOR INDUSTRY ACTIVITY IN '12

**SITE Selection** magazine's annual Governor's Cup rankings have placed Kentucky 10th in the nation for **new and expanded industry activity in 2012**.

Kentucky had announced 354 location or expansion projects, resulting in 14,075 projected new full-time jobs and a capital investment estimated at nearly \$2.7 billion.

**Site Selection's Top States for New and Expanded Industry in '12**  
(by number of projects)

RANK	STATE	COUNT
1	Texas	761
2	Ohio	491
3	Pennsylvania	430
4	Michigan	337
5	Illinois	332
6	Georgia	296
7	North Carolina	280
8	Tennessee	231
9	Virginia	199
10	Kentucky	196

*Site Selection's* rankings are based on a state's total number of qualified projects as tracked by **Conway Data Inc.'s** new plant database. Qualified projects include those that meet at least one of three criteria: involve a capital investment of at least \$1 million, create 50 or more jobs or add at least 20,000 s.f. of new floor space. During 2012, Kentucky generated 196 projects that met the above standards.

Kentucky has finished among the top 15 states in the nation for the last five years in a row.

In addition, Kentucky ranked fifth in the nation for number of communities making the magazine's Top Micropolitan list, with 10 making the cut: Frankfort, Glasgow, Paducah, Richmond, Union City (Tenn./Ky.), Campbellsville, Maysville, Somerset, Danville and Murray. Lexington ranked seventh in the Top 10 Metro Areas in the Tier 2 class (population 200,000 to 1 million).

## LEXINGTON: LEXMARK SELLS INKJET ASSETS; BUYS TWO MORE COMPANIES

**LEXMARK International** has signed an agreement to sell its inkjet-related technology and assets to Japan-based **Funai Electric Co.** for approximately \$100 million. The sale will include more than 1,500 inkjet patents and Lexmark's manufacturing facility in the Philippines.

"As we continue our transition to becoming a leading end-to-end solutions provider, this transaction essentially completes our exit from the ownership of inkjet-related assets, although we will continue to support our existing customer base with the sale of inkjet supplies," said Paul Rooke, Lexmark chairman and CEO. "Funai has been a trusted partner of Lexmark's since 1997, and I am fully confident in Funai's ability to deliver high-quality inkjet supplies for Lexmark."

As part of the shift to a more solutions-based company, Lexmark has invested \$31.5 million to acquire **Twistage**, a San Francisco company that offers a pure cloud software platform for managing video, audio and image content, and Seattle-based **AccessVia**, a company that specializes in signage solutions.

With Lexmark, Twistage will enable customers to capture, manage and access all of their content within their business processes and enterprise applications. AccessVia will enable customers to quickly design and produce in-store signage for timely merchandising. AccessVia's signage software platform provides paper and digital solutions to more than 75 retailers with more than 60,000 stores, including **Best Buy**, **Office Depot** and **Family Dollar**.



## STATE: KENTUCKY OFF-TRACK BETTING TO CLOSE ITS 3 OPERATION SITES IN JUNE

**K**ENTUCKY Off-Track Betting LLC (KOTB) has announced that it will close all three of its facilities in June, after completion of the 2013 Triple Crown Series.

KOTB operates locations in Corbin, Jamestown and Maysville, and employs a total of approximately 20 full-time and part-time employees.

KOTB was formed in 1993 by **Churchill Downs, Ellis Park, Keeneland** and **Turfway Park**. The main impetus behind the partnership was to generate handle dollars, which would in turn help build Kentucky's purse structure.

Over the past 10 years, KOTB has generated an average of \$1.4 million per year dedicated to Kentucky Thoroughbred purses. In addition, KOTB has given back 0.75 percent of each dollar handled to the city where each facility is located, with the respective county receiving 0.25 percent.

However, economic factors – combined with the decline in overall handle at the outlets – forced the organization to evaluate the feasibility of continuing.

A look at the numbers brings the problem to light. Ten years ago, a total of \$25.7 million was wagered at the outlets compared to \$10 million in 2012.

"Closing our OTBs won't be easy and it has not been a decision our owners have taken lightly," said KOTB General Manager Laura Prewitt. "However, the bottom line is that it is not profitable and does not make economic sense to keep operations going. It is imperative that we look critically at our industry and business models to find ways to grow the sport, and it would be irresponsible to continue ventures that are not profitable."

## BUSINESS BRIEFS

### MOREHEAD

■ **Morehead State University's** College of Science and Technology has received an in-kind software grant from **Siemens PLM Software** valued at more than \$209 million. The grant gives students in the Department of Applied Engineering and Technology access to the same technology that companies around the world utilize to develop innovative products in a wide variety of industries, including automotive, aerospace, machinery, shipbuilding and high-tech electronics, among others.

### NORTHERN KENTUCKY

■ The total impact of visitor spending in Boone, Campbell and Kenton counties increased from \$298.5 million in 2011 to \$325.8 million in 2012, according to figures released by the **Northern Kentucky Convention and Visitors Bureau**. Individual corporate travelers remained the largest market segment in Northern Kentucky (40 percent), followed by leisure (38 percent), meetings/conventions (20 percent) and government (2.2 percent).

■ Twenty-four new company locations or expansions took place in the Boone, Campbell and Kenton County region in 2012, according to figures released last month by the **Northern Kentucky Tri-County Economic Development Corp.** (Tri-ED). "It was an outstanding year in terms of jobs announced, with 3,774 direct jobs announced in 2012 – nearly triple what was announced in 2011 and ranking fourth highest in Tri-ED's 26-year history," said Gary Moore, Boone County judge-executive and Tri-ED chairman. The projects represent an investment of more than \$721 million in the region.

Northern Kentucky CVB photo



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Lexington, KY 40507

commonwealthecon.com



## BUSINESS BRIEFS

### PADUCAH

■ **Dippin' Dots LLC**, the Paducah-based ice cream company that produces ice cream and other frozen treats, has signed a joint master licensing agreement with **Wellness Hanshin Inc.** in Osaka, Japan, for the exclusive marketing and distribution of Dippin' Dots products throughout Japan. Wellness Hanshin is owned by **Hanshin Electric Railway Co.**, a business segment of **Hankyu Hanshin Holdings Group Inc.** The master licensing agreement will allow Wellness Hanshin to add numerous locations across Japan and will include an expanded presence across the company's extensive entertainment properties, such as the popular **Hanshin Tiger** baseball team, which is owned by a subsidiary of Hanshin Electric Railway Co. Dippin' Dots supplies the growing Asian marketplace from an international manufacturing plant in South Korea.



### PARIS

■ **Kentucky Bank** is expanding its presence in the Central Kentucky market with a new branch office in downtown Lexington. The Paris-based bank is a locally owned and publicly traded company that has 13 branches across Cynthiana, Georgetown, Morehead, Nicholasville, Sandy Hook, Versailles, Wilmore, Winchester and Paris. The new Lexington branch is expected to open by May.

### RICHMOND

■ The **Eastern Kentucky University** board of regents has approved offering a voluntary staff reduction as part of a budget reallocation plan. The goal of the "Reinvest in Eastern Kentucky University" plan is to reallocate 10 percent of the university's operating budget – which equates to approximately \$23 million – to ensure the university has adequate financial resources to support its strategic initiatives. With 70 percent of the university's educational and general budget devoted to personnel, the new plan will help address budget constraints due to declining state funding and potential reductions in the future. ECU has experienced a 15.2 percent decline in state support over the last five years.

### STATE

■ Kentucky's seasonally adjusted preliminary **unemployment rate** dropped to 7.9 percent in January 2013 and remained at that point in February, marking the first time unemployment in the state has been below 8 percent since November 2008, when it was 7.8 percent. The U.S. seasonally adjusted jobless rate was 7.9 percent in January 2013 and dropped to 7.7 percent in February.

■ The U.S. Department of Labor has awarded a \$5.2 million National Emergency Grant to the Hazard-based **Eastern Kentucky Concentrated Employment Program Inc.** to assist workers and their families impacted by layoffs at coal mining companies in Eastern Kentucky. The grant will provide eligible laid-off coal miners and spouses with re-employment training and other services – all at no cost – that they need to compete for jobs in other industries throughout the area, such as business services, telecommunications, construction and skill trades, energy creation and transmission, and healthcare. Since January 2012, layoffs have left more than 2,000 coal miners and coal mining employees in the region searching for new employment.



■ **AT&T** expects to invest between \$600 and \$800 million in Kentucky from 2013 to 2015 to support its current network capabilities and expand access to next-generation broadband services. The investment will have a direct impact on both wireline and wireless broadband availability in Kentucky.

■ The **Small Business Administration's Kentucky District Office** has joined with the **Kentucky Cabinet for Economic Development**, the **Kentucky Small Business Development Centers** and other state and local economic development organizations to host a series of free seminars designed to educate small-business owners and entrepreneurs on resources available to help them start, grow and sustain their businesses. The series, "Kentucky: Here We Grow Business," will run through June, stopping in all 15 of Kentucky's Area Development Districts. The seminars are free, and registration is at the door. For more information call (800) 626-2930.

## STATE: 3 KY PROJECTS AMONG TOP 30 U.S. HIGH IMPACT DEVELOPMENTS IN '12

**TRADE & Industry Development**, a magazine dedicated to site selection, listed three Kentucky projects among the top 30 economic development projects for 2012 for its 8th annual Cici (Corporate Investment and Community Impact) Awards.

The magazine cited **General Electric's** expansion in Louisville, **Berry Plastic's** reopening of its Madisonville operations and **Amazon's** new customer service facility in Winchester for the awards, which were selected from hundreds of submissions.

The CiCi Awards, created in 2006, highlight not only the largest corporate investments but also those that may not involve large investments but make the most notable impact on communities. Criteria considered for the "impact" division include new jobs created, current jobs retained, unemployment figures, income level of the region and plant closings.

As part of an initiative to reverse decades of outsourcing, GE launched several new product lines at its **Louisville Appliance Park** in 2012. GE has committed to invest \$800 million in Louisville by 2014 and has already created about 3,000 new jobs.

Berry Plastics Corp. reopened its Madisonville operation in 2012, investing \$96 million in the plant and creating more than 400 full-time jobs. Earlier in the year, Berry had shuttered the facility, which had approximately 140 employees, due to a redistribution of production at its other manufacturing facilities.

In May 2012, Amazon announced its decision to build a new 70,000-s.f. customer service facility in Winchester, creating more than 550 full-time and 600 seasonal and part-time jobs by 2017. Amazon subsidiaries currently operate four fulfillment centers in Louisville, Lexington, Campbellsville and Hebron, but the Winchester facility is Amazon's first customer service center in Kentucky.



GE added hundreds of jobs at its Louisville Appliance Park facility in 2012. Here, Zenobia Williams works on French-door bottom-freezer refrigerator doors.

GE photo

## STATE: KY LOTTERY OK'S ONLINE SALES, ADDS KENO; EXPECTS REVENUE BOOST

In a unanimous vote, the **Kentucky Lottery Corp.'s (KLC)** board of directors has moved to allow Internet sales of lottery tickets and scratch-offs and will add Keno to its mix of games.

The move came at the suggestion of Kentucky State Treasurer Todd Hollenbach, who is also a voting member of the KLC. Hollenbach recommended the additions as a way to bolster a dwindling state treasury.

It is projected that Keno could raise an additional \$15 million for the commonwealth in its first full year and could climb to \$31 million within five years. Internet lottery sales could raise an additional \$4.5 million for the state in its first full year, growing to an estimated \$31 million within five years.

Lottery officials say Keno sales could begin as early as January 2014, with about 450 retailers at launch. Internet lottery sales are expected to begin in fiscal year 2015.

KLC President and CEO Arch Gleason said that in Europe, growth in revenue from Internet sales has not come at the expense of the traditional brick-and-mortar retailers.



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PEOPLE EVERY DAY.

-Trent Waggoner  
Trauma Patient

When Trent arrived at the University of Louisville Hospital Trauma Center with his legs crushed, the trauma team acted immediately to save his life. As the only adult Level I Trauma Center in Louisville and one of just two in Kentucky, they are prepared for emergencies every minute of every day. Their preparedness is the key to providing the specialized care that trauma victims require, including the highest level of expertise in orthopedic surgery, neurosurgery, trauma surgery, and other specialties. The mission is to not only save each patient's life, but to give them the best quality of life after treatment is complete. University of Louisville Hospital's prevention tools, outreach and education offered throughout the region add to the quality of care provided by the Trauma Center.

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# INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

## BUSINESS BRIEFS

### INDIANA

■ **GEICO** plans to open a customer service center in Indianapolis that will create 400 new jobs within the next 12 months and 1,200 by 2016. The Washington, D.C.-based auto insurer expects to begin operations by late April.

■ **Indiana University's** Kelley School of Business Indianapolis has launched a Business of Medicine MBA to prepare practicing physicians for a rapidly changing industry that includes implementation of the Affordable Care Act, reducing costs while improving patient outcomes, enabling innovation while dealing with cost pressures, and managing the migration of private practices into larger medical networks. The specialized two-year program will begin in September and will be delivered as a hybrid with 50 percent online and 50 percent weekends in residence.



Volvo photo

### OHIO

■ **Core Molding Technologies** will add 140 employees to support a new contract to produce hoods, roofs and other molded heavy-duty truck parts for **Volvo Group North America**. The Columbus, Ohio-based company plans to make a capital investment of approximately \$12.5 million throughout 2013 and 2014 for equipment and infrastructure to support the Volvo contract and other

business. The new contract is expected to generate annual revenues of up to \$30 million for Core Molding Technologies.

■ **Polaris Industries Inc.** has purchased the former **DHL** logistics center in Wilmington, Ohio, according to *The (Wilmington) News Journal*. The Minneapolis-based manufacturer of off-road vehicles, snowmobiles and motorcycles plans to use the 327,000-s.f. facility as a distribution center and plans to hire up to 100 employees.

■ Cincinnati-based **Fifth Third Bancorp** and **NextJob**, a nationwide reemployment solutions company, have teamed up to offer an industry-first program that gives unemployed mortgage borrowers job-search assistance, including one-on-one coaching, weekly webinars and online job-search software, fully paid for by Fifth Third Bank. The two companies piloted the program throughout 2012 with unemployed Fifth Third customers who were in serious risk of default on their mortgages. On average, the individuals had been out of work for 22 months. In the pilot, nearly 40 percent were fully employed after six months and, as a result, the pilot was expanded.



### TENNESSEE

■ **Global Green Lighting** has announced plans to establish a lighting assembly plant in Chattanooga that will produce the company's flagship product, a light-emitting diode (LED) street lamp combined with smart-grid metering technology that enables cities to control each light to maximize both energy savings and public safety. The company is bringing subcontracted production of the lamps back from **China** and plans to hire 250 people for the new Chattanooga plant.

### WEST VIRGINIA

■ West Virginia's venture capital firm, **West Virginia Jobs Investment Trust**, has invested \$100,000 in **The Fenton Group** (doing business as **USGlass Inc.**), which has acquired the assets of the **Fenton Art Glass Co.** The funds will be used to reinvigorate Fenton's factory operations and refresh its marketing efforts. Owned by the Fenton family for generations, Fenton Art Glass closed in 2011 after struggling with rising costs and declining sales. "The intention is to revitalize the American glass art craft as well as maintain and rejuvenate the local industrial community," said Gene Bem, CEO of USGlass.

## INDIANA: CHRYSLER TO ADD 1,250 JOBS AS PART OF \$374 MILLION EXPANSION

**C**HRYSLER Group is investing \$374 million to expand its operations in north-central Indiana, creating up to 1,250 new jobs by 2015.

The company will invest approximately \$212 million to install additional tooling and equipment to produce eight- and nine-speed transmissions in three of its four Kokomo plants, adding up to approximately 400 new jobs. Work on the facilities is expected to begin in the second quarter of this year, with equipment and tooling installation anticipated to begin in the fourth quarter.

In addition, Chrysler will acquire the former **Getrag** facility in Tipton, Ind., and invest \$162 million to establish an additional assembly site for the nine-speed transmission. The site is scheduled to be operational by the end of 2014. The company anticipates adding 850 new positions as part of that project.

Chrysler currently employs more than 6,100 people in Kokomo.

The **Indiana Economic Development Corp.** offered Chrysler up to \$11.5 million in conditional tax credits and up to \$200,000 in training grants based on the company's job creation plans. The cities of Kokomo and Tipton have approved additional tax abatement.

According to the **U.S. Bureau of Economic Analysis**, Indiana's motor vehicle industry is the second largest in the United States, producing more than \$9.8 billion in goods. In addition to Chrysler, Indiana is home to more than 630 automotive companies, including **Honda**, **Toyota** and **Subaru**.

Chrysler photo



An employee at Chrysler Group's Kokomo Transmission Plant loads a transmission shaft into a polisher. The Indiana plant has been producing transmissions since 1956.

## TENNESSEE: NASHVILLE MEDIA COMPANY BUYS LONELY PLANET FOR \$77 MILLION

**B**BC Worldwide, the commercial arm of the BBC, has agreed to sell its travel guide business **Lonely Planet** to Nashville-based **NC2 Media** for \$77.3 million.

Lonely Planet is a leading travel publisher, having printed some 120 million books in 11 different languages. Though it is one of the top travel guide brands in the United States, Australia and the United Kingdom, the company's recent financial performance has been impacted in recent years by the continued strength of the Australian dollar, the rapid consolidation of the publishing industry and a global recession that significantly impacted leisure travel. As a result, BBC Worldwide has been exploring strategic options for Lonely Planet over the last year, wanting to find a new owner that could bring greater focus and capital to the business.

NC2 primarily focuses on digital content and the development of technologies that support it. The company's primary shareholder is Brad Kelley, founder of **Commonwealth Brands**, a tobacco company that he sold to Bowling Green, Ky.-based **Houchens Industries** in 1991 for \$1 billion.

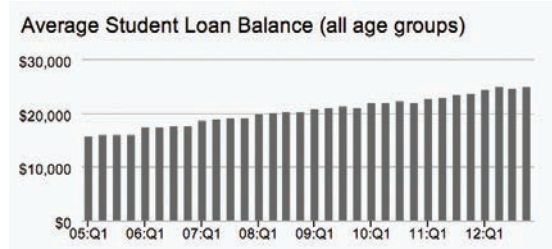
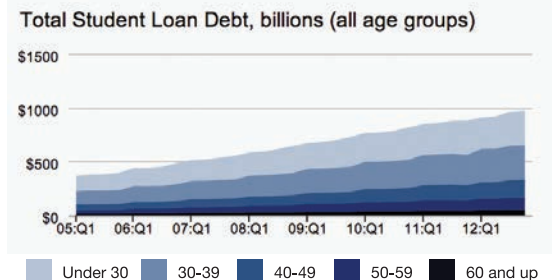
Daniel Houghton, executive director of NC2, will take on additional responsibilities as chief operating officer of Lonely Planet.



## THE NEXT FINANCIAL CRISIS

### Student loan debt growing at a rapid rate

Student loan debt is the only form of consumer debt that has grown since the peak of consumer debt in 2008. Balances of student loans have eclipsed both auto loans and credit cards, making student loan debt the largest form of consumer debt outside of mortgages.

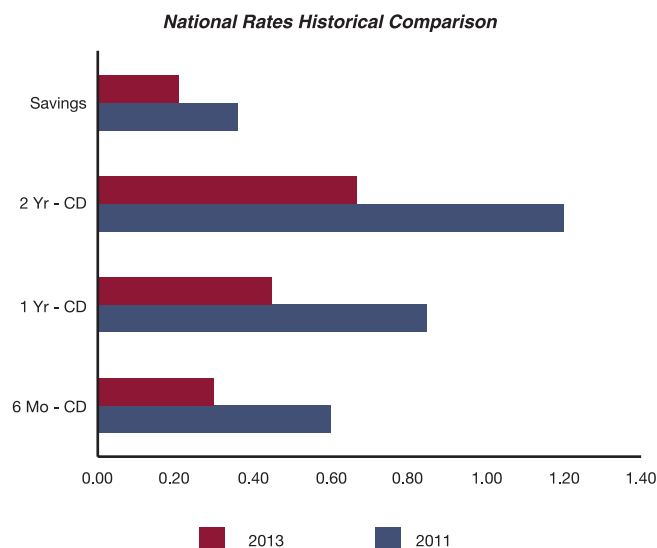


Source: Federal Reserve Bank of New York

## IT'S TOUGH TO MAKE A DIME

### Sluggish economy continues to mean lower interest rates for savers

Faced with an uncertain economy, banks have become increasingly conservative in the interest rates they offer on savings accounts and CDs. The chart below shows how those rates have changed over the past two years.



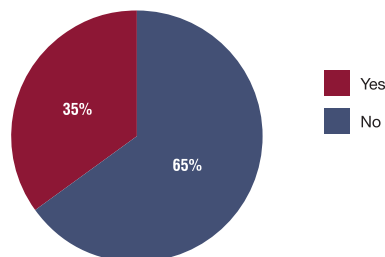
Source: GoBankingRates.com

## FLEX FACTS

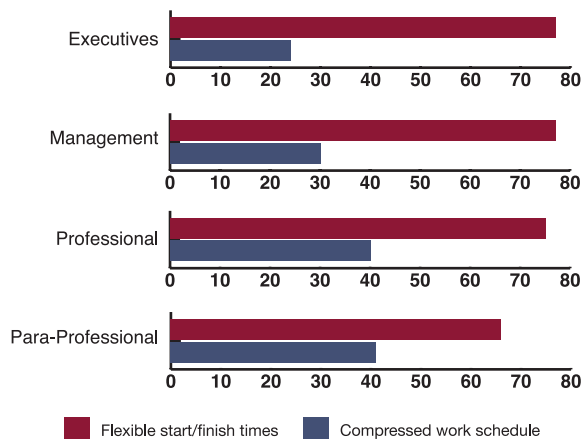
### Majority of companies now offer flexible work hours

Announcements by Yahoo! and Best Buy regarding telecommuting have sparked discussion over flexible work policies and their value to both employers and employees. A recent Mercer study involving 620 employers sheds light on trends in flexible work policies and how other organizations are addressing these issues.

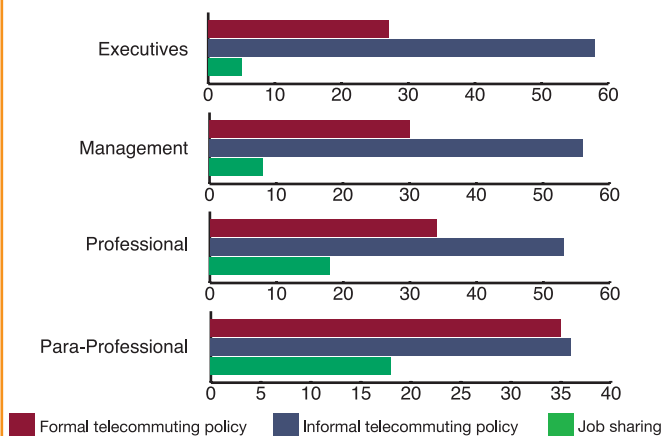
#### Does your company offer flexible work hours?



#### If so, which employee levels have that option?



#### Does your company offer telecommuting and if so, at what employee levels?



Source: Mercer/US Compensation Policies and Practices Survey

# CORPORATE MOVES

*New leadership for Kentucky businesses*

## ACCOUNTING

■ **Gary Ermers** has joined Dean Dorton Allen Ford as associate director of health-care consulting.



*Gary Ermers*

## AGRICULTURE

■ **Aleta Botts** has been named executive director of The Kentucky Center for Agriculture and Rural Development.



*Aleta Botts*

## ARCHITECTURE

■ **Jeff Stivers** has been named president of RossTarrant Architects, a Lexington-based firm that focuses on the design of educational facilities.

## BANKING

■ **Pamela J. King** has been promoted to assistant vice president for Pikeville-based Community Trust Bank.

■ **Robert Whitaker** has joined First Security Bank of Owensboro as assistant vice president and commercial lender.



*Robert Whitaker*

■ **Randy Fletcher** has joined Planters Bank in Hopkinsville as vice president of commercial lending.

## ECONOMIC DEVELOPMENT

■ **John R. Snider** has been named executive director of the Bullitt County Economic Development Authority.

## EDUCATION

■ **Carolyn Callahan** has been named dean of the University of Louisville College of Business.

■ **Jeffrey A. Standen** has been named dean of the Chase College of Law at Northern Kentucky University, effective July 1. He succeeds Dennis Honabach, who announced last fall that he would be stepping down as dean to join the NKU faculty.



*Jeffrey Standen*

## EQUINE

■ **Julie Cauthen** has been named director of owner and client development at Keeneland.

## GOVERNMENT

■ **Sarah Butler** has joined the Kentucky Department of Financial Institutions as director of the Division of Nondepository Institutions.

■ **Hollis L. Alexander** has been appointed Trigg County judge-executive.

■ **Bill O'Mara** has been named city finance commissioner for the Lexington-Fayette Urban County Government.

■ **Mike Pryor** has been appointed judge-executive for Nicholas County.

## HEALTHCARE

■ St. Elizabeth Healthcare has appointed **Gary Blank** as senior vice president/chief patient services officer/chief nursing officer. Blank succeeds **Jane Swaim**, who is retiring from the Edgewood-based healthcare provider.

■ **Jody Bilney** has been named senior vice president and chief consumer officer of Louisville-based Humana Inc.

## LEGAL

■ **Brittany C. MacGregor** has joined the real estate practice group of McBrayer, McGinnis, Leslie & Kirkland PLLC.



*Brittany MacGregor*

■ **Anne Ballard Ellison** has joined Bowles Rice LLP as human resources director. Ellison will be located in the firm's Charleston, W.Va. office and will oversee hiring and personnel issues in Kentucky, Pennsylvania and Virginia.



*Anne Ballard Ellison*

■ **James A. Dressman III** has been named managing partner of the DBL Law firm in Crestview Hills.



*James Dressman III*

## MEDIA

■ **Kevin Willis** has been named news director at WKU Public Radio. Willis succeeds **Dan Modlin**, who has retired.

## OTHER

■ **Emma Brown** has been named executive director of the Young Professionals Association of Louisville.

## DEPARTURES

■ **James H. Bloem**, senior vice president, chief financial officer and treasurer for Humana Inc., has announced that he will retire at the end of the year.

■ **Nicky Reynolds** as stepped down as executive director of the Lebanon Tourist and Convention Commission to accept the position of vice president of the Rutherford County (Tenn.) Convention and Visitors Bureau.

■ **Andrew Varga**, chief marketing officer for Louisville-based Papa John's International Inc., has announced that he will be resigning his position to become president of Zimmerman Advertising Inc. Zimmerman is Papa John's advertising agency of record.

■ **Ron Bridges** has been promoted to state director for AARP Kentucky.



*Ron Bridges*

■ **W. Timothy Yaggi** has been appointed chief operating officer for Lexington-based Tempur-Pedic International Inc.

■ Lexington-based International SPA Association has named **DeLaine Bender** as vice president of operations. **Jonathan Sexton** has been named vice president of marketing and sales.



*DeLaine Bender*



*Jonathan Sexton*

■ **Chris Tyler** has been named a partner of Thermal Equipment Sales Inc. He serves as vice president of business development for the company, which has locations in Lexington, Louisville and Paducah, Ky., and Evansville, Ind.



*Chris Tyler*

■ **J. Kevin Willis** has been named chief financial officer for Covington-based Ashland Inc., effective May 3. Willis succeeds **Lamar M. Chambers**, who has announced that he will retire in July after 37 years of service.

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# ON THE BOARDS

Kentuckians named to organizational leadership roles

## BLUEGRASS INSTITUTE FOR PUBLIC POLICY SOLUTIONS

■ The Bluegrass Institute for Public Policy Solutions, a free-market think tank, has announced its board for 2013: Chairman – **Tim Yessin**, Fifth Third Bank, Lexington; Past Chair – **Kathy Gornik**, Lexington; and Vice President – **Warren Rogers**, W. Rogers Co., Lexington. Board members include **Matth Toebben**, Toebben Companies, Crescent Springs; and **Steve Keck**, Somerset Recycling Services Inc., Somerset.

## COMMERCE LEXINGTON INC.

■ Commerce Lexington has announced its 2013 executive board: Chair – **Danny Murphy**, University of Kentucky College of Law; Chair-Elect – **Ken Sagan**, Stites and Harbison PLLC; Immediate Past Chair – **Jeri Isbell**, Lexmark International Inc.; Vice Chair-Public Policy – **Carla Blanton**, Carla Blanton Consulting; Vice Chair-Community and Minority Business Development – **Larry Forester**, Community Trust Bank; Vice Chair-Business and Education Network – **James Hardin**, Fayette County Public Schools; Vice Chair-Leadership Development – **Herb Miller**, Columbia Gas of Kentucky; Vice Chair-Membership and Marketing – **Dave Sevigny**; Vice Chair-Economic Development – **Darby Turner**, Bingham Greenebaum LLP; Vice Chair-Communications – **Nancy Wiser**, Wiser Strategies; Treasurer – **Laura Boison**, U.S. Bank; Secretary – **Robert L. Quick**, Commerce Lexington Inc.; General Counsel – **Taft McKinstry**, Fowler Bell; Lexington-Fayette Urban County Government Representative – **Kevin Atkins**, At-Large Representatives – **David Freibert**, Kentucky Utilities Co., and **Karen Hill**, Central Baptist Hospital; Regional and Agricultural Representative – **John Mahan**, Mahan Farms; Business and Education Network At-Large Representative – **Danette Wilder**, Sealing Life Technology. Board members for 2013 include: **Roszalyn M. Akins**, First Baptist Church Bracktown; **Mike Ash**, Fifth Third Bank; **Tucker Ballinger**, Forcht Bank; **Shelia Bayes**, Shelia Bayes Fine Jewelers; **David Blackwell**, University of Kentucky Gatton College of Business and Economics; **Al Blevins**, Lexington-Bluegrass Association of Realtors; **Jim Browder**, Lexington Convention and Visitors Bureau; Dr. **Eli Capilouto**, University of Kentucky; **Laura D'Angelo**, Dinsmore; **Greg Dixon**, Baker Iron and Metal Co. Inc.; **Bill Farmer Jr.**, United Way of the Bluegrass; **Eric Frankl**, Blue Grass Airport; **James Frazier III**, McBrayer, McGinnis, Leslie & Kirkland PLLC; **Vince Gabbert**, Keeneland Association; **Linda Gorton**, Lexington-Fayette Urban County Government; **Jim Gray**, Lexington-Fayette Urban County Government; **Steve Grossman**, J.J.B. Hilliard, W.L. Lyons LLC; **Paula Hanson**, Dean, Dorton, Allen, Ford PSC; **Tom Harris**, University of Kentucky; **Connie Harvey**, Xerox; **Don Hellman**, Chase/J.P. Morgan; **Bo Henry**, Republic Bank and Trust Co.; Dr. **Augusta A. Julian**, Bluegrass Community and Technical College; **Mark Manuel**, Bluegrass Community and Technical College; **Heidi Matheys**, Ashland Inc.; **Ann McBrayer**, Kentucky Eagle Inc.; **Eli Mertens**, TravelHost of the Bluegrass; **Gregory C. Mullins**, Blue and Co.; **Cheryl Norton**, Kentucky American Water; **Porter "P.G." Peeples Sr.**, Urban League of Lexington;



Danny  
Murphy

ton; **Mike Price**, Toyota Motor Manufacturing Kentucky Inc.; **Robert G. Riggs**, Riggs Sales Service Inc.; **Warren Rogers**, W. Rogers Co.; **Tom Shelton**, Fayette County Public Schools; **Marcus Simpson**, Integrity IT; **David Smith**, Stoll Keenon Ogden; **Scott R. Smith**, Smith Management Group; **Howard Stovall**, Signs Now; **Nick Such**, Awesome Inc.; **Harold Tate**, Urban Toolbox Inc.; **Lisa Underwood**, Wyatt Tarrant and Combs; **George Ward**, University of Kentucky Coldstream Research Campus; **Yajaira Aich West**, PNC; and Dr. **Owen Williams**, Transylvania University.

## EASTERN KENTUCKY UNIVERSITY

■ The Eastern Kentucky University board of regents has elected **Craig Turner** as chair. Turner, founder and chairman/CEO of Med-Pro Safety Products Inc. and founder and CEO of CRM Companies, joined the board in 2006.

## KENTON COUNTY AIRPORT BOARD

■ **Merwin Grayson Jr.** and **Paul McElhinney** have been appointed to the board of directors of the Kenton County Airport. Grayson is president of Central Bank Northern Kentucky. McElhinney is vice president and general manager of GE Aviation Services.

## KENTUCKY FINANCIAL INSTITUTIONS

■ Gov. Steve Beshear has appointed the following individuals to the Kentucky Financial Institutions Board: **Karen Harbin** – president and CEO, Commonwealth Credit Union; **Dorsey G. Hall** – president and CEO of South Central Bank; **Michael D. Wilson** – president, Citizens Guaranty Bank; and **Gary M. Traugher** – president and CEO, Elton Bank and Trust Co.

## LEXINGTON CENTER CORP.

■ **W. Brent Rice** has been elected chairman of the Lexington Center Corp., a not-for-profit corporate agency of the Lexington Fayette Urban County government that manages and maintains Rupp Arena, the Lexington Opera House and the Lexington Convention Center. Rice is a member of McBrayer, McGinnis, Leslie & Kirkland's Lexington law office.



W. Brent  
Rice

## LOUISVILLE ARENA AUTHORITY

■ **Steve Rowland** has been appointed to the board of directors of the Louisville Arena Authority Inc. Rowland is chief financial officer of the Louisville-Jefferson County Metro Government.

## LOUISVILLE ORCHESTRA

■ Brown-Forman Corp. Vice Chair **Jim Welch** has been named president-elect of the Louisville Orchestra board of directors. New to the board this year are **Christina (Christy) Lee Brown**, **Todd Lowe**, **Joseph A. "Jay" Paradis III**, **Thomas Partridge**, **Kendra Foster**, **Ingrid Johnson**, **Anthony Kern**, **Guy Montgomery**, **Patricia G. Swope**, **Kenneth L. Sales** and **Venu Vemuri**.



Jim  
Welch

## PASSPORT HEALTH PLAN

■ **Venkat Sharma**, founder and CEO of iMEDX Inc., has been named to the board of

directors of Passport Health Plan, a Louisville-based nonprofit, community-based Medicaid health plan. **Howard F. Bracco**, Ph.D., has been elected chairman of Passport's Partnership Council, a coalition of consumers and providers that oversees numerous aspects of Passport's operations, including quality and member and patient satisfaction.

## PBS DIGITAL ADVISORY COUNCIL

■ **Tim Bischoff**, senior director of marketing and online content for KET, has been selected as a member of the PBS Digital Advisory Council. The council is comprised of key national leaders within public broadcasting who act as advocates for stations and collaborate with PBS Interactive to ensure that stations' needs are met.

## SOMERSET-PULASKI COUNTY CHAMBER OF COMMERCE

■ The Somerset-Pulaski County Chamber of Commerce has named five new members to its board of directors: **Seth Atwell** – partner at the financial consulting firm of Evans, Harville Atwell and Co.; **Elsa Brown** – CEO, Bondtech Corp.; **Cindy Clouse** – director of advancement, Somerset Community College; **Bill Newell** – vice president, Ready Mix Concrete; and **Brook Ping** – president, Stonebrook Development LLC.



Seth  
Atwell



Elsa  
Brown



Cindy  
Clouse



Bill  
Newell



Brook  
Ping

## SOUTHERN GROWTH POLICIES BOARD

■ **Timothy Robert Corrigan** has been appointed by Gov. Steve Beshear to serve on the board of the Southern Growth Policies Board, a nonpartisan public policy think tank that develops and advances economic development policies. Corrigan is an attorney at The Rotunda Group LLC.

## SPECIAL OLYMPICS OF KENTUCKY

■ **Carrie A. Pytnia** has been elected to the board of directors of the Special Olympics of Kentucky. Pytnia is an associate with the law firm of Frost Brown Todd, working out of the Louisville office.

## UNIVERSITY OF LOUISVILLE

■ **Emily S. Bingham** and **Douglas R. Hall** have been appointed to serve on the University of Louisville board of trustees. Bingham, of Louisville, is an historian. Hall, also of Louisville, is executive vice president of Evergreen Rehabilitation.

## WESTERN KENTUCKY UNIVERSITY

■ **Phillip W. Bale** has been appointed to the board of regents at Western Kentucky University. Bale, of Glasgow, is a family physician at T.J. Health Partners LLC.

# BUSINESS LEADER **CHAMPIONS** FOR EDUCATION

These business leaders from across the state are providing critical support for Kentucky's efforts to build a world-class education system. They recognize how important it is that our schools meet the challenging demands of rigorous academic standards to make sure Kentucky achieves its goals for workforce and economic development.

## Linking Business



## With Education



### **Allen rallies business leaders to support education in Kentucky**

The success of Business Leader Champions for Education would not have been possible without the outstanding leadership and support of Chairman James R. Allen, CEO, J.J.B. Hilliard W.L. Lyons. Allen convened business leaders and rallied their support for Kentucky's education system.

AN INITIATIVE OF





# THANK YOU FOR MAKING A POSITIVE DIFFERENCE!

**James R. Allen, Chairman**  
CEO, J.J.B. Hilliard W.L. Lyons, LLC

**Dave Addisson**  
President & CEO, Kentucky Chamber

**Bobby Arnold**  
COO, Commercial Lending, Republic Bank

**Rodney Bohannon**  
Plant Manager, Briggs & Stratton Corporation

**Tony Bohn**  
System VP, Chief Human Resources Officer,  
Norton Healthcare, Inc.

**Nicholas Brake**  
President & CEO,  
Greater Owensboro Economic Development Corp.

**Stephen P. Branscum**  
President & CEO, Branscum Construction

**Jeffrey B. Bringardner**  
President, Humana-Kentucky, Humana Inc.

**Dave Calzi**  
Managing Partner, Ernst & Young

**Kevin Canafax**  
Vice President Midwest Public Affairs,  
Fidelity Investments

**Rowan Claypool**  
Founder & Director, Teach Kentucky Inc.

**Brent Cooper**  
President, C-Forward, Inc.

**Sam Corbett**  
Partner, Sam Meyers, Inc.

**Paul Costel**  
Kentucky President, Chase Kentucky

**John Crockett**  
Chairman, Frost Brown Todd LLC

**Laura D'Angelo**  
Partner, Dinsmore & Shohl LLP

**Charles Denny**  
Regional President, PNC Bank

**Vince Gabbert**  
Vice President & Chief Operating Officer,  
Keeneland Association

**John Gant**  
General Manager, Carbide Industries LLC

**C. Edward Glasscock**  
Chairman Emeritus, Frost Brown Todd LLC

**Jean Hale**  
Chairman, President & CEO, Community Trust Bancorp

**Paula Hanson**  
Director of Tax Services, Dean Dorton Allen Ford PLLC

**Joseph L. Hardesty**  
Member, Stites & Harbison, PLLC

**Billy Harper**  
CEO, Harper Industries, Inc.

**Dennis Heishman**  
President & CEO, Old National Bank Kentucky

**David Heintzman**  
Chairman & CEO, Stock Yards Bank & Trust

**Audwin Helton**  
President, Spatial Data Integrations

**Henry Heuser**  
CEO, Unistar/Vogt

**Debra Hoffer**  
President, Junior Achievement of Kentuckiana, Inc.

**William H. Hollander**  
Managing Partner,  
Wyatt, Tarrant & Combs, LLP

**Joel Hopper**  
President, Brenntag Mid-South, Inc.

**Alice K. Houston**  
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**Franklin K. Jelsma**  
Partner, Wyatt, Tarrant & Combs, LLP

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CFO, Fifth Third Bank, Kentucky

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**Charles R. Maddux, Jr.**  
President & CEO, Propulsys, Inc.

**Peter Mahurin**  
Chairman, Hilliard Lyons Financial Services, LLC

**Tom Meeker**  
Retired President & CEO, Churchill Downs

**Tom Mischel**  
Vice President, Operations Control,  
Boardwalk Pipeline Partners, LP

**Deb Moessner**  
President & General Manager, Anthem Blue  
Cross and Blue Shield of Kentucky

**Jerry Morris**  
President & CEO,  
Southern Star Central Gas Pipeline, Inc.

**Michael B. Mountjoy**  
Partner, Mountjoy Chilton Medley LLP

**Pat Mulloy**  
President & CEO, Elmcroft Senior Living

**Mitch Nichols**  
President, UPS Airlines, UPS

**Nick Nicholson**  
Retired President, Keeneland Association

**Cheryl Norton**  
President, Kentucky American Water

**Tom Partridge**  
President/CEO of Louisville, Lexington  
Fifth Third Bank, Kentucky

**Eileen Pickett**  
Executive Vice President, Greater Louisville Inc.

**Mary Pat Regan**  
President, AT&T Kentucky

**Kevin Riddett**  
President, Invensys Rail

**Paul Rooke**  
Chairman, CEO, Lexmark International, Inc.

**Steve Rudolf**  
Vice President/Human Resources,  
Baptist Healthcare East

**Ken Selvaggi**  
Vice President & General Manager, WAVE 3 TV

**Barbara Sexton Smith**  
President & CEO, Fund for the Arts

**Mark Shirkness**  
General Manager of Distribution Services,  
General Electric Company

**Stu Silberman**  
Executive Director, Prichard Committee for  
Academic Excellence

**Victor Staffieri**  
Chairman, President & CEO,  
LG&E and KU Energy LLC

**Steve Tarver**  
President & CEO,  
YMCA of Greater Louisville

**Carl Thomas**  
President/Treasurer, The Gheens Foundation, Inc.

**Jeff Uligian**  
Director, Site Manager, Genentech, Inc.

**Tina Walters**  
Vice President, Chase Kentucky

**John Williams**  
Chairman, CSI

**Stephen Williams**  
President & CEO, Norton Healthcare Inc.

**Kathy Zandona**  
Vice President, Education, Greater Louisville Inc.

# LANE ONE-ON-ONE

Kentucky's leaders express their opinions



## Paul Rooke

Paul Rooke, chairman and CEO of Lexmark International Inc., has been with the Lexington-based company since its inception in 1991. After holding various management positions, Rooke was named president of Lexmark's printing solutions and services division in 1999. In 2007, he was selected as president of the company's imaging solutions division, where he was responsible for meeting the needs of Lexmark customers worldwide for inkjet printers, all-in-one products and related supplies and support, including development, manufacturing, marketing and sales. In 2010, he was named president and CEO of the company. Rooke holds a bachelor's degree in mechanical engineering from the University of Michigan and a master's degree in business administration from the University of Kentucky. He serves on the boards of several nonprofit organizations, including the University of Kentucky College of Business Advisory Board, the Business-Higher Education Forum and the Bluegrass Economic Advancement Movement (BEAM).

## 'LEXMARK IS BRINGING A DIFFERENT SET OF SKILLS TO LEXINGTON'

President Paul Rooke discusses Lexmark's plans to expand in software and managed print services and become a broader solutions provider

BY ED LANE

**Ed Lane:** Lexmark sells its products in more than 170 countries and had revenues of \$3.8 billion in 2012. Fiscal year 2012 (ending Dec. 31, 2012) was a bumpy road. Our interview will touch on a number of the macroeconomic factors that caused Lexmark's stock price to decline 38 percent the past year to \$23 per share on March 1, 2013, and on Lexmark's plans for future growth. In August of last year, Lexmark announced it was exiting the inkjet printer category. What were the key business factors related to this decision?

**Paul Rooke:** That was certainly a tough decision. Lexmark is a company in transition; we're undergoing a transformation from a hardware-centric to a solutions-centric company. Lexmark, over the last two or three years, has been divesting certain pieces of its business while investing in others. Lexmark actually started exiting its consumer inkjet business in late 2007.

The Lexmark brand was known because its inkjet printers were in many retail outlets for years. We moved inkjet technology upstream to become more of a business inkjet – a higher performance and value product. Lexmark's inkjet printers were targeted to small and medium businesses through retail channels like Office Depot and Office-

Max, but Lexmark couldn't generate enough business to sustain inkjet development. We decided it wasn't going to be a long-term profitable model and decided to pull the plug and exit the remaining inkjet business. Lexmark is completely out of inkjet now, but it is making many investments in software businesses in order to become a solutions provider.

Inkjet is still a viable technology, which Lexmark still has. But Lexmark also has and it is heavily investing in laser technology, which is a very viable and competitive color technology even against inkjet.

**EL:** In mid-2012, Lexmark announced staff reductions of 1,700 employees worldwide; 550 were based in Lexington.

**PR:** Lexmark has essentially completed this reduction, except there is still a large manufacturing site in the Philippines that makes inkjet cartridges; by the end of 2015, we'll ramp that operation down as that install base for inkjet winds down.

**EL:** Will the reductions in operational costs increase Lexmark's profitability?

**PR:** The 1,700 people we talked about come out over time, and they start to generate savings. There are also savings

beyond the personnel reduction because our engineers will not be spending dollars to create inkjet prototypes. So both labor and material savings contribute to reduced operational costs.

**EL:** Lexmark's R&D investments increased from 8.1 percent of sales in 2007 to 10 percent in 2012. In what general business areas will Lexmark focus in the future?

**PR:** Lexmark is a technology company at its core, so the percent of revenue that it spends on R&D will remain in those ranges. Lexmark will keep spending on hardware technology, but you will see more investment in software products.

**EL:** Is the demand for copies declining?

**PR:** In the last several years, businesses have been looking for ways to cut costs and expenses. Reduced printing is one of those opportunities. Lexmark's managed print services is targeted at helping companies optimize and reduce their printing expense. Printing is still an important medium for communication.

**EL:** At year-end, Lexmark increased its dividend to \$1.20 per share – an approximate 5 percent return on its current stock price. Does the current dividend reflect Lexmark's policy to return 50 percent of its free cash to shareholders?

**PR:** A little over a year ago, Lexmark described for investors its capital allocation framework, which was to return greater than 50 percent of Lexmark's pre-cash flow to investors or to reinvest in the business through acquisitions. For example, one of the first things Lexmark did was establish a dividend, but we are also returning capital through share purchases. Management feels very confident this is not a high-risk return of capital. We've done it for six quarters. We're early in the world of issuing dividends, but Lexmark expects to be very consistent with its dividend and share purchase policies.

**EL:** How does the repurchase of stock benefit shareholders?

**PR:** It's just another form of returning capital. Some investors prefer to receive a dividend check and others prefer stock repurchases that increase their share of ownership (percentage of outstanding shares) in the company. Some shareholders may elect to sell off some of their stock while maintaining their ownership share of the company. Some investment entities prefer dividends, others prefer share purchases, and some say they don't care – just return cash.

The big part of communicating its capital allocation strategy was so Lex-



mark could be consistent with its approach of returning free cash, and investors would know so they could make their own decisions on whether or not to invest in Lexmark.

**EL:** Lexmark is expanding in software and managed print services. What is your outlook for these two business categories?

**PR:** It's really all about Lexmark being a broader solutions provider. In addition to hardware, we're adding software and services so Lexmark can offer a broader array of products to create solutions for customers. Management services and software are two areas of acquisition interest. Lexmark has acquired six software companies over the last couple of years. These companies are rapidly adding to Lexmark's capabilities by bringing deeper industry expertise. Beyond the software, managed print services have grown rapidly. In fact, for 11 years straight, Lexmark has been a leader in that category.

In managed print services, Lexmark manages the total fleet – copiers, printers, multi-function devices, whatever. During the early days of Lexmark, we focused on competing by going deeper as opposed to wider against broad-based competitors like Hewlett-Packard. A very important focus for Lexmark is to

be more knowledgeable and a thought leader, whether it be in retail, manufacturing, banking or insurance.

**EL:** Perceptive Software, a Lexmark company that specializes in electronic storage and retrieval of data, has entered into a number of agreements with corporations (e.g. Anheuser-Busch InBev, Statoil, Siemens, ING Group). How is this division helping to boost Lexmark's revenues?

**PR:** Perceptive Software was our first software acquisition in mid-2010. Since then, we've added five other software companies that we've tucked underneath Perceptive Software. The combined entities ended 2012 at \$162 million, so this division has gone from \$0 to \$162 million in sales in just about two years. We're very excited because Perceptive Software is giving Lexmark the capability to do more with our customers than we've ever been able to do before.

ACUO is our most recent acquisition and is a medical software. Lexmark started in healthcare with Perceptive Software. Perceptive manages documents beyond the information and electronic medical records (EMRs) that are in every hospital's core system. Perceptive manages all medical documents



**Lexmark International, Inc. (LXX)**

One Lexmark Centre Drive  
740 West New Circle Road  
Lexington, KY 40550  
lexmark.com

**Founded in:** 1990

**Employees:** 12,200

**Stockholders:** 2,596

**Key Stock Statistics:**

**Price (as of 3/28/13)** .....\$26.40

**52-Week Range** .....\$33.66-16.10

**Common Shares**

**Outstanding** .....63.2 million

**Market Capitalization** .....\$1.7 billion

**Yield**.....4.55%

**Dividend Rate/Share** .....\$1.20

**Revenue in 2012**.....\$3.8 billion

*Source: Standard & Poors, 3/31/2013*

(e.g. physician notes or information about a patient) and connects it to the core system.

With ACUO, Lexmark can bring in all the medical images that are scanned in a hospital and connect them with the



**TJ Health Pavilion**  
Glasgow, Ky



**Mary Todd Elementary School**  
Lexington, Ky

**Southern Kentucky Performing Arts Center**  
Bowling Green, Ky



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*Builders & Managers*

## LANE ONE-ON-ONE

core documents and EMRs to give a single, patient-wide view. That's a powerful thing in the hospital system.

**EL: Somebody has to go out and sell product. How does Lexmark manage its marketing effort?**

**PR:** With a lot of these solutions, Lexmark has a direct sales force calling on the largest Fortune 1000 class accounts. In the medical market, we're calling on the largest hospital systems in the world. Our sales executives are highly trained, very sophisticated, and they communicate directly in selling our proposition.

**EL: What other general business categories might be of interest to Lexmark as future candidates for acquisition?**

**PR:** Lexmark has its future strategy mapped out, which is to be a solutions provider in various vertical industries. Lexmark identifies the things it has and the things it wants as well as gaps in technologies, industry presence or expertise. We look at natural adjacencies – services that are near our core. That strategy is leading Lexmark from printing to content process management.

Each of these last six acquisitions has fit very neatly within various adjacencies and expands Lexmark beyond its printing core. We not only acquired sales people who have knowledge in a particular industry, but also gained very good R&D, software and service skills. Lexmark evaluates the people as much as the technology that it is acquiring.

**EL: Lexmark's fourth quarter 2012 GAAP (generally accepted accounting principles) net earnings were \$6 million compared to 2011 net earnings for September of \$69 million. How much did restructuring costs impact earnings?**

**PR:** Lexmark's earnings took a slide for the fourth quarter. We carefully evaluate non-GAAP earnings because many restructuring costs are one-time charges. Let me characterize. In 2012, Lexmark's operating margin dipped to about 10 percent. Our goal is to be operating in an 11 to 13 percent range. We've targeted to operate in that range in 2013, albeit at the lower end of the range. A lot of the improved margin will come from further growth in these strategic areas plus some of the savings from restructuring.

**EL: How is Lexmark helping to boost education in Kentucky?**

**PR:** As a part of the whole community initiative coming from a technology company, Lexmark is very focused on the advancement of STEM (Science, Technology, Engineering and Math) in our school systems. In response, at its 20th anniversary a few years ago, Lexmark decided to



make a major set of gifts. One was an investment with the University of Kentucky to renovate the old (Fayette public) library on the north side (of Lexington) into a STEM center to help teachers. It's the UK and Lexmark Center for Innovations in Math and Science Education on Bryan Station Road. The center brings in high school teachers from all over Kentucky to help them learn how to teach science and math better.

We're also doing an educational program with middle and high schools; every month Lexmark recognizes an outstanding science or math teacher in the Central Kentucky area. We walk into the classroom and surprise a teacher with a \$1,000 check every month. It's obviously rewarding to teachers, but more importantly the program helps create future scientists.

**EL: According to Lexmark's lawsuit filed on Feb. 12, 2013, Lexmark was the low bidder on the Commonwealth of Kentucky's request for proposal for statewide managed-print services, but the state awarded the contract to Xerox Corp. What is the status of this litigation?**

**PR:** First of all, large managed-print services deals are a key strategic piece of what Lexmark does. Lexmark is recognized as a leader in the managed print services for multibillion-dollar multinational companies around the world. Of course, when Lexmark had the opportunity to bid on services for the state of Kentucky, we thought we could provide superior services. Lexmark's bid was quite competitive. The next closest bid was 50 percent higher in cost than Lexmark's, which is a large difference, but Lexmark was not awarded the bid. We felt the low bid shouldn't go uncontested, especially with a significant difference in cost – I think it was about \$7.5 million over the life of the contract. Lexmark felt it should use the normal legal appeals process. Given that Lexmark is a world-class leader in managed print services, was the low bidder and was not being awarded the contract, it didn't add up to us. That is why Lexmark filed the lawsuit. We'll see what happens.

**EL: How well has Commerce Lexington served Lexmark International during the years it has operated in Kentucky?**

**PR:** I work with Bob Quick at Commerce Lexington. The chamber has been very supportive of Lexmark, and in fact when we went through the restructuring here in the back half of 2012, Commerce Lexington was one of the very first folks to reach out to see how they could help transition our people. Lexmark has a very positive view of Commerce Lexington and the role it serves in our community.

**EL: How would you rate Lexington as Lexmark's global headquarters?**

**PR:** Our company has been in Lexington as IBM from the '50s and as Lexmark for over 20 years (since 1991) when we were acquired from IBM. Lexmark has a long relationship in Lexington and is very happy with the business environment and the quality of our community. In any part of Lexington, you will find Lexmarkers out there serving in a number of community volunteer areas. Our employees take pride in their interaction with the community. Lexmark has a big responsibility to serve and give back to our community. As a location for international headquarters, Lexington is a smaller community, but it is very family-oriented with a lot of diversity. Lexmark has been able to recruit employees to the area. There are a lot of advantages. Sometimes it may be a bit hard to get to and from Lexington, but we've gotten used to it and we find ways.

**EL: What about the quality of the workforce? Do you find that beneficial?**

**PR:** Lexmark recruits a large number of its employees from the universities here in Kentucky, but it also recruits from outside Kentucky. As an international company, Lexmark is hiring not only in Lexington but all over the world. Lexmark has been able to attract very good talent into Lexington. I think people would be amazed at the types of professional talent and expertise that we have inside Lexmark's walls here in Lexington.



**EL:** With advanced manufacturing technology, is there a possibility that some of Lexmark's hardware and toner products can again be economically manufactured in Kentucky?

**PR:** As Lexmark moves from being a hardware-centric company to a software solutions-centric company, we are shifting the mix of our production and services. Having said that, a majority of Lexmark's hardware product is manufactured in Asia, and supplies components are manufactured regionally around the world. Being focused on broader solutions – beyond hardware – to encompass software and services, Lexmark is bringing a different set of skills into Lexington.

A lot of folks in Lexington may not appreciate the significant changes going on within the walls of Lexmark. People probably still think of Lexmark as the manufacturer of printers. We've moved well beyond that, particularly in the last two to three years, to a much broader range of solutions. Lexmark is a company in transition.

**EL:** Is any new construction planned?

**PR:** As Lexmark is undergoing its transformation in Lexington and divests its inkjet business, it is investing in its corporate headquarters. One of those investments is a daycare center for our employees. It's quite exciting for them. A lot of employees spend long hours here because we're international and we receive phone calls in the mornings and evenings. With employees trying to manage busy lives with families, we felt having a daycare center on site would be a wonderful addition to make childcare more convenient. We've also added a wellness center to help people with colds or flus so they can quickly get taken care of and manage their busy lives. So we're excited about the new bricks-and-mortar on the Lexington site.

**EL:** It's lonely at the top, and you've recently made some tough decisions. What advice would you give to others to help them deal with stress?

**PR:** The first thing is to surround yourself with good people. I've got wonderful fellow Lexmarkers here who help me with a lot of those decisions. In the end, somebody has to make the final decision. I have a wonderful family that I spend time with. I've got a new grandson and twins on the way, so my family is rapidly expanding. Between my family and my faith – I'm very active in my church – I do a lot of things that keep me grounded and balanced beyond just Lexmark 24/7. ■



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



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## ECONOMIC DEVELOPMENT



# Shale Gas Boom Offers Opportunities

Kentucky crafting strategy to land projects and jobs as U.S. energy revolution fuels economic development

BY MARK GREEN

**C**HEAP, plentiful shale gas is transforming the U.S. economy, potentially creating a once-in-a-lifetime realignment in energy infrastructure and industrial capabilities that Kentucky's energy and industrial sectors want in on.

Brighter long-term energy cost and availability prospects are one reason U.S. manufacturing is rebounding. Tens

of billions of dollars in new U.S. capital investment have been announced for projects involving gas production, transport, processing and direct use – such as by the chemical industry, which converts raw gas feedstock into everything from plastics to jet fuel.

Kentucky economic development officials are adjusting their efforts in response.

“Targeted industries include manufacturers that process natural gas into higher value products, such as plastics, chemicals, gasoline and distillate fuels,” according to a cabinet statement. “We’re also looking at manufacturers of bulk products, such as fertilizers, who would enjoy an advantage because their products could be made in centrally located Kentucky and distributed locally and regionally without high transportation costs.”

An April 1 report in *The Washington Post* was headlined “European industry flocks to cheap U.S. gas.” No fooling, U.S. gas prices are now a quarter of rates in Germany and the rest of Europe. They’re forecast to stay low at least into midcentury – as far into the future as experts can now project – with energy supplies so plentiful the United States is expected to become an oil exporter within a decade.

Louisiana alone has more than \$50 billion in announced capital investment in the past year.

Private-sector executives as well as public officials in Kentucky are assessing opportunities for a state with manufacturing assets, gas resources and a prime location on several of the nation’s main distribution pipelines.

Two major gatherings in May will focus intently on the question. The first is the Kentucky Association of Manufacturing’s 2013 Energy Conference May 14-15 at Lexington Convention Center. KAM’s annual legislative recap session turned into an annual energy summit beginning in 2011, said Karen Ellis, the group’s operations and communication manager, because there was growing demand from members concerned about power cost and efficiency practices.

The other event, scheduled for May 23 at the Hyatt Regency Lexington, will explore economic development opportunities. Entitled “Natural Gas: Moving the Needle in Kentucky,” the event is still being organized but seeks to attract representatives from every entity in the state with any natural gas involvement or interest.

The Kentucky Clean Fuels Coalition is one of the sponsors. Greg Coker, director of external relations with Winchester-based Delta Gas and a former member of the Kentucky Public Service Commission, will be the facilitator.

### ‘What do we need to do?’

The intent is to share information, examine private and public options, air concerns, find out where the various players’ priorities align and where they conflict, identify strategies that will benefit the Kentucky economy and what obstacles stand in the way.

“We want to look at what’s going well,” Coker said. “Where are we getting



stuck? What do we need to do to move the needle to increase natural gas? What needs to be done?"

The goal of the six-hour "Moving the Needle" event is not so much to emerge with solutions, he said, but to produce information and find out what issues must be addressed to advance Kentucky's collective interests.

Among the diverse interests expected to be involved are the state's local gas distribution companies; interstate transmission companies; the Kentucky Gas Association; coal industry representatives; power utilities; government agencies such as the Public Service Commission and the Energy and Environmental Cabinet; interest groups such as the Kentucky Clean Fuels Coalition, Kentucky Association of Manufacturers and its Chemical Industry Council; Kentucky Association of Economic Development; major transportation fleet operators such as UPS; and Waste Management, which has 40 trucks fueled by compressed natural gas in Louisville as part of its national conversion to CNG vehicles and opened the state's first public CNG fueling site.

"We all have our own interests," Coker said of the expected participants, and each is expected and encouraged to make them known May 23. "What we are saying is, 'Let's be Kentuckians today.'"

Part of his job as facilitator is to get participants to share information on what they oppose as well as support. This can prevent limited time, energy and resources from being wasted pursuing goals that will provoke economic or policy squabbles.

Conference organizers believe the window of economic opportunity for Kentucky and other states and regions to land the capital investment, jobs and tax base now in play due to the shifting energy landscape is probably only a year or two.

"We're truly an energy state," said Scott Smith, a principal of Lexington energy consulting firm Smith Management Group and another organizer of the gas gathering. "We've got an opportunity for our people. How do we leverage this? The location is perfect."

Kentucky's Louisville-Lexington-Northern Kentucky business core is within a day's overland delivery of two-thirds of the U.S. market. Interstate highway, rail, water and air transportation assets have helped it become a logistics industry center: UPS, which operates its Worldport at Louisville International Airport, is the state's largest private



*Greg Coker,  
Director of  
External  
Relations,  
Delta Gas*

employer, and Germany-based DHL has one of its three international air freight hubs at the Cincinnati/Northern Kentucky International Airport in Hebron.

#### **Value-added projects mean jobs**

"Where you could really score is bringing industry into the area that could use the gas to manufacture products," said Smith, a mechanical engineer by training and a former official in the state Department for Energy Development and Independence. "We need value-added use of gas locally. We need jobs. It's critical for Kentucky."

Smith has worried increasingly the past few years about declining coal operations in Eastern Kentucky because of federal Environmental Protection Agency policy that is making the Appalachian mining business more difficult. Already declining state mining employment fell a further 18 percent from February 2012 to February 2013, according to the March report from the Office of Employment and Training in Frankfort.

Smith suggests seeking Obama administration support in recruiting job-creating projects into the region



*Scott Smith,  
Principal,  
Smith Management Group*



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*\*Tickets for the workshop sessions are: \$85 member / \$115 non-member / \$35 other / \$20 student*

Tuesday evening, there will be a VIP Reception for all sponsors, speakers and invited guests.

*\*Tickets for the VIP Reception are: \$100 member / \$135 non-member / \$20 student*

Wednesday, May 15 is a combination of general sessions, with featured, subject matter experts from across the United States, along with several breakout sessions.

*\*Tickets for day two of the conference are: \$125 member / \$150 non-member / \$35 other / \$20 student*

A trade show of industry partners and suppliers will run concurrently with the conference. For more information please visit [www.KAM.us.com](http://www.KAM.us.com) or call 502-352-2485.

## ECONOMIC DEVELOPMENT

where EPA policy is eliminating them. Modern coal operations are big electrical power users, so there is a sufficient power grid to supply incoming industry, and there's plenty of rail capacity as well. If coal jobs continue disappearing in a region whose take-home pay was already low, let gas pump new dollars into its economy.

Eastern Kentucky was the scene of much shale gas drilling five years ago, but that activity has tapered off as Marcellus shale wells in Pennsylvania, West Virginia and western New York and Ohio have been developed. Devonian shales in Kentucky yield mostly "dry" methane gas while Marcellus shale includes the "wet" natural gas liquids ethane, butane and propane – higher-hydrocarbon and more-energy-dense liquids that are more profitable.

Wells in Marcellus shale formations also have an economic advantage over Devonian shale when drillers conduct the gas-releasing practice known as hydraulic fracturing that has made the shale gas boom possible. Devonian shale "fracking" requires injecting wells with liquid nitrogen – difficult to handle at minus-321 degrees Fahrenheit – while Marcellus shale is fracked with high-pressure water, sand and salts.

Additionally, prolific Marcellus gas production has driven prices below the profitability floor for much Devonian shale.

"It's depressed the market for everybody," said John Rogness, director of energy generation, transmission and distribution at the Kentucky Energy and Environment Cabinet. "Most of the gas we're seeing (on the market today) is gas coming out of the wells producing the natural gas liquids. The real value is in natural gas liquids. They are going after it as hard as they can."

The past couple of relatively mild winters have lowered demand and prices also, Rogness said.

"If we get a couple of really cold winters, the price will go back up," he said, and "dry" gas wells will go back into production.

### Interstate pipelines create unlimited supply

However, shale gas production is not crucial to overall state supplies, Rogness said, because Kentucky is at a crossroads for really big interstate pipelines, including the nation's main gas transport route from the Gulf Coast to the Northeast.

"We've got all the gas we can use and then some," said Rogness. "Any industry that wants to come in will have access."

For industry-related transportation, he views the state's navigable waterways as a "very fortunate" asset complementing cheap and ample energy.

Energy and Environment Cabinet offi-

## U.S. Natural Gas Marketed Production & Net Imports

(billions of cubic feet)

YEAR	PRODUCED	NET IMPORTS	CONSUMED
2007	20,196	3,785	23,104
2008	21,112	3,021	23,277
2009	21,648	2,679	22,910
2010	22,382	2,604	24,087
2011	24,036	1,962	24,385
2012	25,305	1,515	25,457
Net change	+25.3%	-60.0%	+10.2%

*Some gas is lost in extraction, some goes into and withdrawn from storage*

*Source: U.S. Energy Information Administration*

cials also are deeply concerned about the state's loss of coal jobs. Cabinet Secretary Len Peters expresses the view that it will take "a pretty significant industry" to offset those job losses, Rogness said. "Fifty (jobs) here and 50 there is good, but it's not going to offset" the thousands of mining paychecks being lost.

"We've given a lot of thought what to do in the energy industry to fill in the gaps," he said. But so far they've found no real answers.

State officials are interested in trying to help facilitate the use of compressed natural gas (3,600 psi) as a motor fuel, an idea that is generating increasing discussion in the private sector but which is facing what industry watchers refer to as solving the "chicken-or-the-egg" problem. The question, though, regards which will come first: CNG vehicles or CNG filling stations. It is economically difficult for either to enter the marketplace without the other.

Kentucky, like other areas of the nation, had some CNG infrastructure in the 1990s, but cheap oil and gasoline prices made it unsustainable. There were nine fueling stations and LG&E had 117 natural gas-powered vehicles

"Been there, done that, got the T-shirt back in the '90s," said Melissa Howell, executive director of Kentucky Clean Fuel Coalition, a non-profit organization born in 1993 that now has about 55 members.

Today, however, Howell said she is excited about what looks like the elements of a sustainable effort taking shape, including supply, demand and technical support for equipment and vehicles. That is driven by cheap prices that make natural gas fuel equivalent to \$1.50 to \$2.40 a gallon gasoline or diesel.

The 40 natural gas trucks Waste Management operates along with its fueling station got a little company in late March when Louisville-based M&M Cartage, a regional trucking company

with 265 employees, announced delivery of its first natural gas-powered semi, a 2013 Freightliner.

"We would like to operate 100 CNG trucks over the next four years," said M&M President Don Hayden. "CNG is an environmental and economical option to traditional diesel."

The company now has 170 semis and 450 trailers that travel 12 million miles annually. It plans to evaluate the vehicle on routes in Metro Louisville and across Kentucky. The City of Somerset recently added a natural gas fueling station and several vehicles, too.

### Motor fuel's 'chicken-and-egg' issue

Low prices are creating a growing sense of inevitability about natural gas as a transportation fuel, despite its chicken-and-egg problem. While still rare in Kentucky and surrounding states – Tennessee has three refueling stations, Indiana nine, West Virginia none – the Los Angeles region has had dozens of sites for years after government use of natural gas vehicles was mandated. Oklahoma is the only state with a full network of some 60 refueling stations.

Oklahoma has been a big gas producer for decades, but Coker said its plunge ahead with statewide coverage was eased because it has one gas distribution utility that became the provider while Kentucky has five. Additionally, state law prohibits Kentucky's Public Service Commission from regulating natural gas as a motor fuel and regulated utilities from selling gas as a motor fuel.

Howell, Coker, Rogness and others all say Kentucky needs to act to encourage natural gas transportation fuel usage so that the commonwealth does not end up a "drive-through state" as companies shift their fleets away from more expensive products.

LG&E cannot become a motor fuel provider under current state law but is watching developments intently.

"It's been a game changer," LG&E Vice President of Communications Chris Whelan said of shale gas.

State officials say protecting the coal industry is a top challenge.



*Melissa Howell, Executive Director, Kentucky Clean Fuel Coalition*



With natural gas costs low and predicted to remain that way, the state's top power utility is shifting slightly away from coal-based electricity generation, which over the years has been the cheapest option and given Kentucky some of the nation's lowest power costs because it is mined in eastern and western regions of the commonwealth.

LG&E is closing coal-fired generation facilities at its Cane Run, Green River and Tyrone sites and adding gas generation at Cane Run. This will decrease coal's share of generation capacity only from 95 percent to 90 percent, however, and coal will remain LG&E's predominant fuel, Whelan said.

The company is currently investing \$2.3 billion to improve scrubbers and add bag-house systems to remove particulate matter from emissions at its coal-fired plants.

LG&E recently created the new position of vice president of natural gas operations to gather management functions including procurement, storage, engineering and compliance under one office. Lonnie Bellar holds the position.

While LG&E does expect its gas business to increase, Bellar said, the impact of cheap, plentiful shale gas is still filtering into the economy. Industries such as housing are still absorbing the data and must get comfortable with it before any wholesale shift to residential gas usage will happen.

**Big manufacturers are sophisticated buyers** Meanwhile, the company is getting inquiries from business and industry about converting operations to gas power and putting in transportation refueling facilities.

"Mostly LG&E is listening, especially to manufacturing customers," Bellar

said. "They are sophisticated" users who have a history of making energy procurement decisions.

LG&E itself must internalize and assess the information it is gathering before it makes any decisions about, for example, marketing increased gas usage to its broader customer base that does not have the sophistication of long-established major manufacturers.

Additionally, Bellar explained, the long-term prospects for natural gas production, cost and usage are not set in stone. It is possible shale gas fracking could be targeted for stepped up environmental regulation as Appalachian coal has been recently.

"There is some regulatory uncertainty. Is it going to manifest in a way that limits our production capability?" he said. "The reason natural gas is low is the production capability that exists."

For now, that capacity remains sky high.

Estimated technically recoverable U.S. natural gas resources have nearly doubled in the past decade, according to the U.S. Energy Information Administration (EIA). Shale gas resources are distributed widely, but current estimates are that more than half of the U.S. gas resource base of 862 trillion cubic feet is concentrated in the Northeast's Marcellus formation.

There is some uncertainty because the vast size of the Marcellus formation makes detailed testing impossible, but expectations are that U.S. gas production will increase 44 percent from 2011 to 2040, from 23.0 trillion cubic feet to 33.1 trillion cubic feet, which would ensure continued low prices for supplies so ample that the U.S. is expected to become an exporter.

Marcellus shale gas is so plentiful that it is beginning change the flow in the nation's pipeline transportation system, which has been predominantly from production and imports in Oklahoma, Texas, Louisiana and the Gulf Coast.

Precise interstate gas pipeline maps are protected national security information since 2001, but the EIA website does reflect that the nation's largest

natural gas transportation corridor extends northeast from the Louisiana-Texas Gulf Coast to Kentucky, where it branches north and northeastward.

#### **Bluegrass Pipeline is state's first big project**

One of the most recent capital projects announced in March, is the Bluegrass Pipeline project that will be a partnership between Boardwalk Pipeline Partners, now based in Houston but headquartered in Owensboro until only a few years ago, and Williams, based in gas-intensive Oklahoma. The planned pipeline will move hydrocarbon-rich natural gas liquids such as propane and butane to processing facilities in the Gulf Coast.

The project has no dollar figures attached to it at this point, Boardwalk Pipeline Partners representatives said, but upon the expected opening in 2015 it will have a capacity of 200,000 barrels a day, which could be increased to 400,000 barrels a day with additional pumping power. Taking a yet-to-be-determined route through Kentucky from western Ohio and West Virginia, it will reverse the traditional hydrocarbon flow from the Gulf Coast to the rest of the nation.

Cabinet for Economic Development officials express excitement about such projects.

"The developers plan to build numerous processing plants and storage facilities along the route, and Kentucky will be looking to attract some of these projects," according to a cabinet statement responding to questions about the impact of shale gas.

Among the possibilities: Kentucky's existing transportation hubs on interstate highway, rail and water routes could become refueling stations for trucks, river tugs and railroad engines that have converted from diesel to natural gas. At present, transportation fuel projects are considered to offer the best initial potential return for the least investment. ■

*Mark Green is editorial director of The Lane Report. He can be reached at [markgreen@lanereport.com](mailto:markgreen@lanereport.com).*



*Chris Whelan,  
LG&E Vice  
President of  
Communications*



*Lonnie Bellar,  
Vice President  
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David Allio photo

Kyle Busch, in the No. 18 car, leads at the green flag of the Inaugural Quaker State 400 NASCAR Sprint Cup Series race July 9, 2011, at Kentucky Speedway in Sparta, Ky.

# High-Octane Investment

Racing fans rev up Northern Kentucky when NASCAR rolls at \$250 million Kentucky Speedway

BY GREG PAETH

**B**LINK twice and the tiny hamlet of Sparta (population 231), including the Sparta Quik Stop and Rick's First and Last Tavern, are in the rearview mirror along Ky. 35 in Gallatin County.

A little more than two miles away, just north of Interstate 71, the Kentucky Speedway has seating for 107,000, which would accommodate every man, woman and child in Sparta 463 times over. On NASCAR Sprint Cup race days, the speedway becomes the third largest population center in the state, trailing only Louisville and Lexington, well out in front of Bowling Green.

For the Kentucky Speedway's biggest annual event, the Sprint Cup Series Quaker State 400 and the two days of racing that precede it, about 8,000 people will work for at least one of the three days, according to an estimate from general manager Mark Simendinger. Year-round, about 60 people are on the speedway payroll.

The \$70 and up fans pay to enter the speedway for the Quaker State 400 is the just the beginning; many of those 100,000-plus racing enthusiasts spend the weekend. Other, smaller activities take place at the speedway throughout racing season. There is no economic impact measure yet since big-league rac-

ing arrived only two years ago, but state and regional tourism and economic development officials say they are pleased.

As its 14th season opens, the Kentucky Speedway has established itself as one of just 23 U.S. tracks that host the 36 NASCAR Sprint Cup races conducted each year from mid-February through mid-November. For the uninitiated, the NASCAR Sprint Cup Series is to motorsports what the NFL is to football or the NBA to basketball.

Gaining NASCAR Sprint Cup status hasn't been easy or inexpensive for the speedway, where the owners have spent about \$250 million on the track and the state has invested more than \$93 million on highway projects that move traffic to and from the facility.



Mark Simendinger, General Manager, Kentucky Speedway





Kentucky Speedway photo

NASCAR fans camp outside the track in several areas at the Kentucky Speedway in Sparta, Ky., during the 2011 Quaker State 400. There also are three infield campgrounds, called the Red, White and Blue.

strong assumption you can make is that it's attributed to the speedway," Summe said.

Having a venue that hosts a major sporting event has helped bring attention to Northern Kentucky and all of its offerings.

"It has had a positive impact on the Northern Kentucky community,"

said Karen Finan, senior vice president with Northern Kentucky Tri-ED, the multicounty economic development agency. "Anytime a major sporting outlet is built from the ground up and is offered as a national and international attraction, there's a lot of excitement that surrounds a venue of this sort," she said. "We have seen people from all over coming in and you can feel the buzz when a major race is on the docket."

Julie Calvert, vice president of communications for the Cincinnati USA Convention and Visitors Bureau, said she's confident the races have an impact on the hospitality business although that impact is difficult to quantify.



**Eric Summe,**  
President/  
CEO, Northern  
Kentucky  
Convention  
and Visitors  
Bureau



**Karen Finan,**  
Senior Vice  
President,  
Northern  
Kentucky  
Tri-ED

The state has played a major role in helping the speedway and, in turn, establishing Kentucky as one of the major players in U.S. motorsports. Since speedway construction began in 1998 and continuing through until 2011, Kentucky has spent \$93.4 million in state and federal highway funds on 10 projects that help move traffic to and from the speedway, primarily off of I-71, the interstate that delivers the majority of the paying customers: fans who live in a triangle whose points are Louisville, Lexington and Cincinnati/Northern Kentucky.

The speedway also qualified for \$44.5 million in tourism incentives through the Kentucky Tourism Development Finance Authority, according to Gil Lawson, a spokesman for the Cabinet of Tourism, Arts and Heritage. He did not have information about how much of those incentives had been paid, he said.

The state believes it made a good investment.

#### 'Feel the buzz when a major race is on'

"The development of Kentucky Speedway and the addition of a NASCAR event has been a great boost for tourism in this region," Marcheta Sparrow, secretary of the tourism cabinet, said in a prepared statement. "Besides the huge numbers that the event attracts, Kentucky also benefits from having out-of-state guests see other attractions in our state, leading to return visits and



**Marcheta Sparrow,**  
Secretary,  
Cabinet for  
Tourism, Arts  
and Heritage

more tourism for the area. The publicity of the NASCAR event also raises awareness of Kentucky as a place to visit to fans across the country."

The state has not conducted an economic impact study specific to the speedway, but tourism increased substantially in four nearby counties from 2010 to 2011, when the first Sprint Cup race was held, Lawson said.

The Northern Kentucky Convention and Visitors Bureau and its counterpart in Cincinnati said they had not studied the impact of the track on tourism spending in an area about 40 miles north of the speedway.

Eric Summe, president and CEO of the Northern Kentucky agency, said he believes that "an appreciable increase" in hotel bookings in Boone, Campbell and Kenton counties on race weekends is linked to speedway events. "The



Kentucky Speedway photo

An aerial view of Kentucky Speedway in Sparta, Ky., for the Inaugural Quaker State 400 NASCAR Sprint Cup Series in 2011.





David Allie photo

*Drivers make pit stops in the competition caution during the Quaker State 400 NASCAR Sprint Cup Series race at Kentucky Speedway in Sparta, Ky.*

“Our hospitality partners will see an uptick in business” because of speedway events, Calvert said.

Spinoff impact near the track is minimal. A Ramada Inn and a service station have been built north of I-71 at exit 57 on the fringe of the speedway property. On the opposite side of the interstate is a restaurant, motel, Marathon station and Racers, a “gentlemen’s club.”

A little more than half of the \$93 million in highway funds spent to support the track built a new I-71 interchange two miles west of the speedway and a road to link the interchange to U.S. 42 and the Markland Dam. The new interchange is dominated by a Love’s truck stop with a McDonald’s and a Subway, a truck service center and a small barbeque restaurant.

#### Shining the light on Northern Kentucky

The Kentucky Speedway – a 1.5-mile oval – is one of eight motorsports tracks owned by publicly traded Speedway Motorsports Inc. (symbol TRK, on NYSE), based in Concord, N.C. The company’s portfolio includes tracks that span the country from the New Hampshire Motor Speedway to the Sonoma Raceway north of San Francisco. SMI closed the \$78.3 million acquisition of the Kentucky Speedway at the end of 2008, shortly after a federal court ruled against the previous ownership group, headed by Jerry Carroll, in a long-running battle with NASCAR over its decision not to assign top races to the Kentucky track.

Once the sale closed, NASCAR gave SMI and its CEO Bruton Smith, whose tracks are home to 12 of the 36 Sprint

Cup races, approval to move the Quaker State 400 from SMI’s Atlanta Motor Speedway to Kentucky in 2011.

In gearing up for that first Sprint Car race, SMI announced an \$80 million expansion of the Northern Kentucky track’s seating capacity from 66,000 to 107,000. The track also has 3,500 camping spaces.

With the exception of its Kentucky and New Hampshire tracks, SMI venues include facilities for other kinds of racing – dirt tracks, short tracks or drag strips – that provide other revenue streams. There are no plans to add facilities on the 1,000-acre Sparta site, Simendinger said.

“I haven’t heard of any immediate plans, but as long as we’re owned by SMI, there’s always that potential that we could expand this place and do something else,” he said. “We’ve just got to make sure that when we build something, it makes sense from a business standpoint.”

Millions of NASCAR fans follow their favorite cars and drivers with a fervor that can border on fanaticism, and they are the foundation of an industry. Beyond ticket sales for the 36 races, Sprint Cup competitions produce large TV audiences, generating broadcast revenues that fuel the sport the way Sunoco’s 98-octane “Green E15” fuels the cars.

SMI reported \$116 million last year in ticket sales alone from its events. Its 2012 annual report lists \$490.2 million in revenue with net income of \$42 million.

#### Broadcasters pay well for live viewers

Although TV ratings have declined five of the past six years, Fox Sports agreed last October to pay NASCAR a reported \$2.4 billion to broadcast the first 13 Sprint Cup races of the 2015-2022 seasons. That’s \$300 million per year, a

36-percent increase over Fox’s current \$220 million per year agreement.

ESPN and TNT have the rights to televise the other 23 races each year.

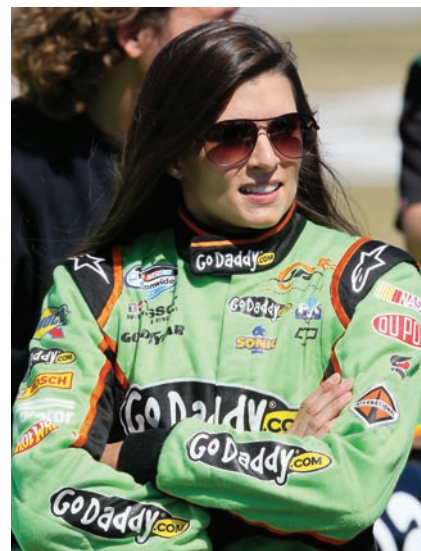
Simendinger acknowledged it seems counter-intuitive to pay more for a product whose ratings are flat or falling. But “content providers” who package major sporting events are in a strong position because fans typically want to watch races live.

“The demand for programming has escalated,” he said. “Advertisers want programming that can be watched live rather than recorded so they (viewers) can’t ‘TIVO’ through the commercials.”

The 2013 NASCAR season that opened in February with the Daytona 500 is the first for what the sanctioning body calls its “Gen-6” or sixth generation of cars in the organization’s 65-year history. The most obvious change is that the Gen-6 cars will look more like the cars that Toyota, Chevrolet and Ford – the three Sprint Cup manufacturers – are selling. It’s a major shift away from generation five cars that had a generic body design and bore little specific resemblance to what manufacturers were building. This month, the Gen-6 car will be unveiled for regional media representatives at the Kentucky Speedway.

Auto racing’s appeal is far more than fast cars, Simendinger said.

“We’ve got a lot of great story lines,” he said, referring to the young, aggressive drivers who are attracting younger fans to the sport and underscore the theory that personalities – not just horsepower – build a fan base. “And the other thing we have going for us is there’s only one event – it’s a great time of the year. If you miss it (the Sprint Cup race), you’ve got to wait 12



*Auto racing star Danica Patrick, shown here at the Kentucky Speedway in 2011, has set several records for women drivers, including becoming the first woman to lead the Indy 500 and the first woman to win the pole position at the Daytona 500.*



months. It's kind of like the Keeneland experience. If you miss Keeneland in the fall, then you've got to wait all the way until the spring to see it. There's an urgency to go."

Ticket prices vary widely. For the Quaker State 400 on June 29, prices range from \$70 to \$110. Tickets for The Feed the Children 300 – a NASCAR Nationwide Series race – the night before range from \$40 to \$75. And tickets for the Kentucky 150 in September are \$30 and \$40. Prices drop through a variety of package deals and discount offers. Season tickets for all five races range from \$199 to \$309.

In addition to the two main racing dates, the speedway hosts events every weekend of its March through October season. Primary are a series of "experience" events that allow fans to either ride along with an instructor – three laps for \$130 – or undergo training that prepares them to drive a race car on the track. Driving experiences begin at \$365 for a three-hour session that includes five minutes behind the wheel.

#### Gearing up for the big race

The prelude to the Quaker State 400 this year includes the UNOH225, part of the NASCAR Camping World Truck

Mark Figgins photo

Kyle Busch, in the No. 18 car, passes A.J. Allmendinger in the No. 43 car on July 9, 2011, during the first Quaker State 400 at Kentucky Speedway in Sparta, Ky. Busch went on to win the 267-lap race, leading 125 laps.

Series, on Thursday, June 27, as well as the Nationwide race on Friday, with the Sprint Cup Race on Saturday, June 29. Pre-race festivities include a concert by country music star Billy Currington.

Weekends are devoted to unique fan-experience events, but one fan experience Simendinger doesn't want to repeat is the massive traffic problem that occurred in July 2011 for the first Sprint Cup race in Sparta. An estimated 13,000 people missed the race when I-71 westbound near the track was clogged with thousands of vehicles that couldn't get off the interstate and find a parking place.

The traffic jam became a public relations nightmare. Within a few months, however, the state and SMI agreed to an \$11 million project to keep traffic flow-

ing off the interstate and into parking lots that were expanded by 20,000 spaces. Additionally, a new pedestrian tunnel under Ky. 35 allows fans to walk to the track without impeding traffic.

SMI spent about \$7 million to purchase two adjacent farms for extra parking.

Although attendance declined last year for the second Sprint Cup race, Simendinger said traffic moved smoothly all day, fulfilling the prediction of Kentucky Gov. Steve Beshear, who visited the track before the race and declared that the traffic problems had been solved. ■

Greg Paeth is a correspondent for The Lane Report. He can be reached at [editorial@lanereport.com](mailto:editorial@lanereport.com).

## The Obama Administration, Congress and the Future of U.S. Political Parties

featuring Washington insider

# DAVID GERGEN



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Kennedy School

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author



# Crowdfund Investing a Game-Changer?

Kentucky start-up sector prepares for opening of new small-investor marketplace

BY ROBIN ROENKER

**R**EVOLUTIONARY. A potential game-changer. The biggest change to securities law in 80 years.

That's what people in the know are saying about crowdfund investing, or CFI, a new vehicle in "marketplace" investing that capitalizes on the accessibility of the Internet to con-

nect small businesses and potential investors like never before.

It expands on already popular and increasingly common "rewards-based" crowdfunding sites like Kickstarter.com and IndieGoGo.com, which invite investors to help fund start-up projects in exchange for an early prototype product or other merchandise-based

"rewards" – and sometimes for nothing at all beyond the satisfaction of boosting a good cause or idea.

The new crowdfund investing platforms, however, will let investors actually buy equity shares in small, privately owned businesses, or fund loans against assets in those businesses.

The true game-changing aspect of CFI is that, for the first time, it will extend the opportunity to invest in small businesses and start-ups to anyone, not just those in the highest income levels, as had previously been the case. Federal rules restrict non-family and friends funding to "accredited" investors.

"When the Securities and Exchange Commission (SEC) releases its guidelines and these crowdfund investing portals are allowed to go fully live, not only will you be able to get a reward, but you'll also be able to own shares of these privately held companies," said Mary Thorsby, CEO at iList Media and corporate communications consultant at Thorsby + Associates. "Now, (start-up investors will) have some ownership of the project, of that product and of that company. It just opens all sorts of new doors."

Thorsby, who has business experience and contacts in San Antonio, Texas, and San Francisco, has been researching the crowdfund investing industry through a University of Louisville Entrepreneurship MBA program internship and is involved in an



*Mary Thorsby,  
CEO, iList  
Media;  
Thorsby +  
Associates*



effort to create a Kentucky presence in the new funding sector when activity begins. That's expected in the next few months when regulations are finalized and made public.

#### The New Stockmarket

Thorsby anticipates that crowdfund investing may result in "billions of new dollars in investments," all facilitated by Title III ("the Crowdfund Act") of the federal Jumpstart Our Business Startups Act. Signed into law last April, the JOBS Act's goal is encouraging entrepreneurial start-ups and small business development by easing federal regulations about which citizens can invest in privately owned companies.

Previously, equity shares of business start-ups have been available only to "accredited" investors as defined by the SEC – those with a proven minimum \$1 million net worth and whose income was at least \$200,000 for the two most recent years.

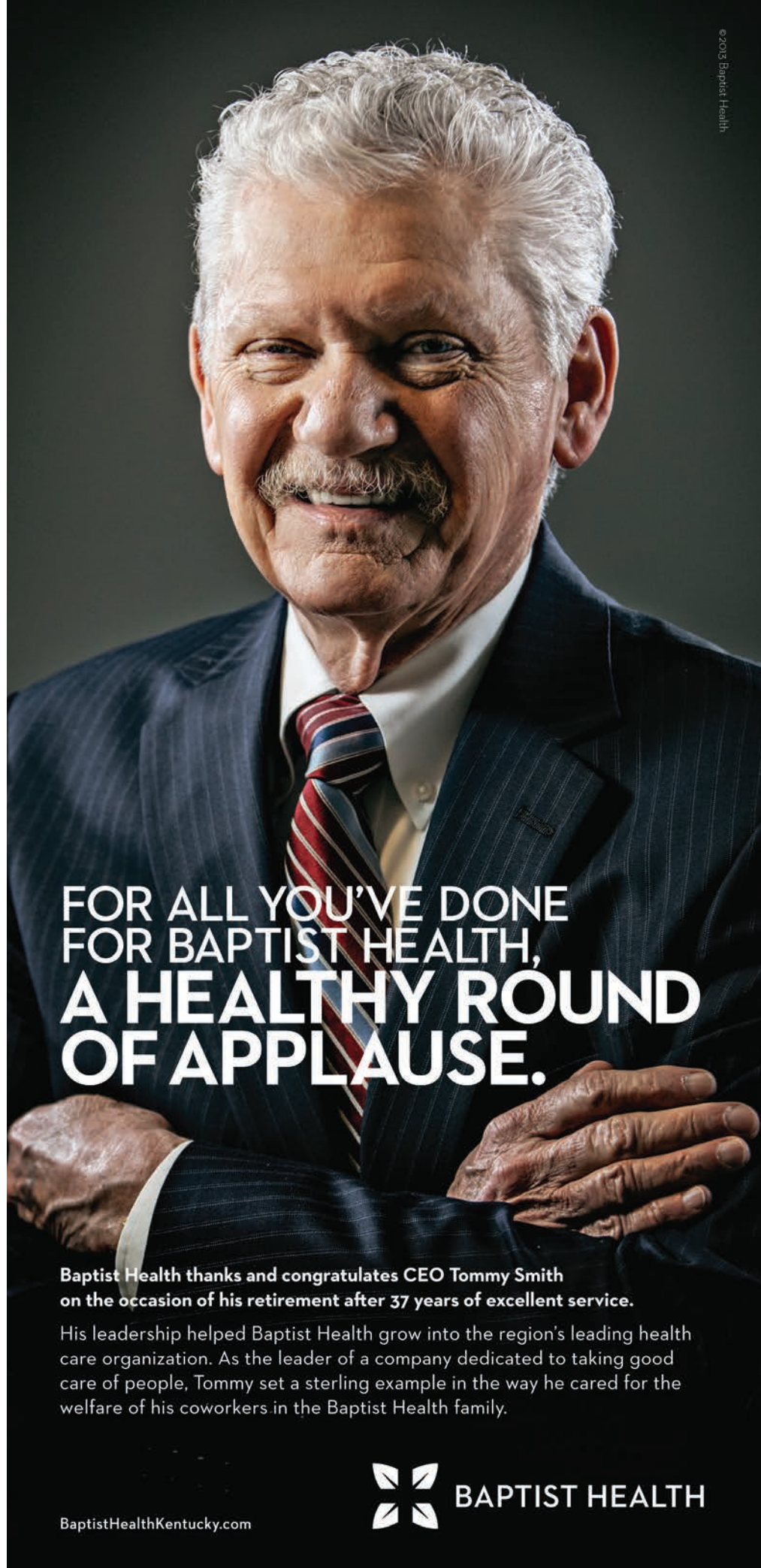
In what many see as a long-overdue democratization of the marketplace, CFI will open equity ownership to a vast array of willing investors who may not have large sums to invest, but who do have the capital to make small contributions to help small businesses get off the ground.

While everyone is awaiting the release of the SEC's official crowdfunding guidelines, which were due to be made public by early this year, it's expected that they will limit businesses to a maximum \$1 million per year in fundraising acquired by crowdfunding. Further, the amount a single investor can invest in crowdfunding opportunities will be limited, based on income. Investors' yearly limits will likely be set at the greater of \$2,000 or 5 percent of annual income if they make less than \$100,000; or 10 percent of annual income, up to a maximum of \$100,000, if they make more than \$100,000 annually.



*Vik Chadha,  
Executive Vice  
President Of  
Venture  
Development,  
Nucleus*

"I really believe that this can be a huge game-changer. And what it's doing is helping grow both sides of this two-sided marketplace," said Vik Chadha, executive vice president of venture development with Nucleus, a University of Louisville-based entrepreneurial management consulting firm that focuses on life sciences. "On one side are the people who would like to invest small amounts of money in small business, but hadn't been allowed to because they were not considered accredited. And then the second piece, which in my mind is even more exciting, is that com-



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**Baptist Health thanks and congratulates CEO Tommy Smith on the occasion of his retirement after 37 years of excellent service.**

His leadership helped Baptist Health grow into the region's leading health care organization. As the leader of a company dedicated to taking good care of people, Tommy set a sterling example in the way he cared for the welfare of his coworkers in the Baptist Health family.



**BAPTIST HEALTH**

panies that are deemed to be not a good fit for existing angel investors or venture capitalists, could tomorrow become very viable in terms of what people have an appetite to invest in.”

Chadha points to early-stage, university-based scientific research as one area that could leverage crowdfund investing not only to obtain essential start-up dollars but to also establish an equally vital sense of involvement and community engagement among local investors and interested alumni.

Louisville-based entrepreneur Alex Frommeyer, CEO of Beam Technologies LLC, is excited about the potential investment opportunities CFI may bring to Kentucky business start-ups like his own, especially those that may have difficulty finding funding from banks or other traditional sources.



Alex Frommeyer, CEO of Beam Technologies LLC

His firm’s initial product, the Beam Brush ([beamtoothbrush.com](http://beamtoothbrush.com)), released late last year, connects to an app on users’ smartphones to monitor and track their tooth-brushing habits and work toward rewards goals. (Think earning free movie tickets for brushing your teeth.) The product has gotten widespread media attention – from a mention in *Time* magazine to national web and TV coverage. Frommeyer launched a rewards-based campaign on IndiGoGo to help fund the Beam Brush’s continued development, but his team is also “very interested in the possibility of using crowdfund investing and is following that option very closely,” he said.

“There’s potential for equity crowdfunding to essentially become what the stock market is today, which is investing in companies that you think are going to do well. But crowdfund investing will let investors do that in a much more intimate way, on the front end, where your investment can mean a ton to the company,” Frommeyer said.

## Putting Kentucky at the starting line

Helping to make sure that Kentucky is ready for CFI when it goes live – potentially in the fourth quarter of this year – are those like Chadha, Thorsby and roughly 20 others representing businesses, local and state government, and academia, who have joined with Kent Oyler, founder and CEO of Louisville-based OPM Entrepreneurial Services, to create the Regional Crowdfund Investing Committee.



Kent Oyler, CEO, OPM Entrepreneurial Services

Oyler has had repeated start-up success, having launched 18 business ventures. He is a former UofL Business School Distinguished Alumni of the Year and is active in a variety of civic and charitable organizations.

“In Kentucky, we have a history of helping each other, so the concept is the same, in that with crowdfund investing, neighbor can help neighbor, not in this case by shoveling the driveway, but by investing in locally based companies,” said Oyler, the committee’s chair. “It’s very exciting.”

The committee plans to hold workshops and CFI “boot camps” to educate small businesses and entrepreneurs – as well as lawyers, accountants and others who will help form businesses’ necessary financial support networks – about the opportunities that crowdfund investing may bring.

One key message to small business owners and entrepreneurs alike is the importance of presenting their business or product in an engaging, informative way in their online campaigns to make that essential connection with potential investors. (The group is also actively working to help establish connections with a web-based CFI portal – either one they create themselves or one based elsewhere – that will enable Kentucky businesses to share their ideas with the world.)

“Our theory is, if we have a strong infrastructure (for CFI) in our state, and we’ve got good awareness, then we’ll also have good project offerings coming out of Kentucky. And that will spread our footprint outside of the state to the national level,” said Oyler.

Already, the committee’s early organizational work has garnered national attention.

“Kentucky is being seen as a leader in crowdfund investing among those of us who are working on this,” Oyler said. “And it’s important to note that our group is not something that was dictated by the government or by a chamber of commerce or any of that. We’re including those groups; we’re not being exclusive of anyone. But we started this, purposely, as a grass-roots, volunteer-led movement. That allows us to make sure that everyone who wants to be involved can be.”

## Direct investing for the masses

While CFI will be new in the American marketplace, it already exists and is operating successfully in England and elsewhere, Oyler said. And with the success of crowdfunding rewards sites like Kickstarter – which since its launch in 2009 has helped connect some 35,000 projects with \$450 million in funding from more than 3 million donors – the

**The Regional Crowdfund Investing Committee** will host a crowdfund investing seminar, tentatively scheduled for May 7, for anyone interested in learning more about CFI. For more information about the committee, to join its email list, or to attend the seminar, contact Mary Thorsby at [mary@thorsby.com](mailto:mary@thorsby.com).

potential fundraising capacity for crowdfund investing is staggering.

There’s still debate as to whether the majority of CFI-seeking businesses will be traditional bricks-and-mortar small businesses (think locally owned salons or restaurants) or techy start-ups. Likely, there will be a mixture of both.

Initially, Oyler believes debt crowdfunding – in which investors loan small amounts to businesses for some rate of return or against business assets – may be even more popular than equity crowdfunding opportunities, due to perceived greater security.

Cincinnati-based SoMoLend.com, which launched last May, is at the forefront of debt crowdfunding opportunities nationally, already connecting small businesses with loans from banks and accredited lenders. In just one year’s time, without any marketing, the site has seen approximately 5,000 businesses sign up for loans on its platform, said SoMoLend’s CEO Candace Klein.



Candace Klein, CEO, SoMoLend.com

When CFI goes live in the United States later this year, “small businesses who may have trouble getting bank loans will be able to access capital from local investors who are their own customers, who know the most about the business, and who will be able to grow their wealth as the business grows,” she said.

What excites Klein the most, though, are the opportunities crowdfund investing is bringing to women and minorities – both as small business owners and as investors.

“Seventy percent of our borrowers are women and minorities, and about 70 percent of our individual investors are women and minorities,” she said. “It’s opening business growth and investment opportunities to an entirely new segment of the population. I feel like it’s the modern day equivalent of the suffrage movement,” Klein said. “It’s opening doors for a new population of people to access capital. It’s so exciting.” ■

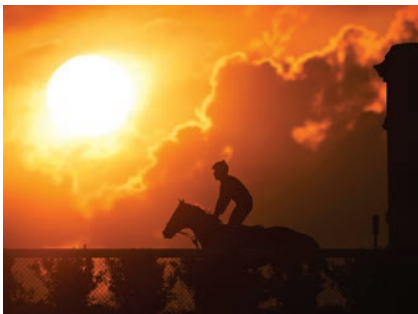
Robin Roenker is a correspondent for The Lane Report. She can be reached at [editorial@lanereport.com](mailto:editorial@lanereport.com).



# THE LANE LIST



Churchill Downs



Keeneland



National Corvette Museum



Newport Aquarium



Jim Beam Distillery

## COUNTY TOURISM TRAVEL EXPENDITURES

Ranked by top totals for 2011\*

**T**OURISM expenditures in Kentucky increased 3 percent from 2010 to 2011, according to data collected by the Tourism, Arts and Heritage Cabinet. More than \$7.4 billion in travel expenditures was spent in Kentucky in 2011, the most recent year for which statistics are available. The highest expenditures were in the Bourbon, Horses and History region, \$2.1 billion, followed by the Bluegrass region with approximately \$1.65 billion. Rounding out the top three is the Northern Kentucky River region with \$1.62 billion.

The Bluegrass, Blues and Barbecue region – Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Union and Webster counties – had the most growth in travel expenditures from 2010 to 2011, 9.3 percent.

### Jefferson County (Louisville) \$2.76 billion

**Tourism region:** Bourbon, Horses and History  
**Previous total:** \$2.68 billion

**Some of the top attractions:** Louisville Slugger Museum, Kentucky Derby Museum, Louisville Mega Cavern, Churchill Downs, Cherokee Park

### Fayette County (Lexington) \$1.77 billion

**Tourism region:** Bluegrass  
**Previous total:** \$1.79 billion

**Some of the top attractions:** Keeneland, Kentucky Horse Park, Rupp Arena, Whitaker Bank Ballpark, The Red Mile

### Boone County (Florence, Union) \$1.3 billion

**Tourism region:** Northern Kentucky River  
**Previous total:** \$1.27 billion

**Some of the top attractions:** Turfway Park, Kentucky Symphony Orchestra, Big Bone Lick State Park

### Kenton County (Covington) \$955 million

**Tourism region:** Northern Kentucky River  
**Previous total:** \$922 million

**Some of the top attractions:** Madison Theatre, Northern Kentucky Convention & Visitors Bureau, The Carnegie Visual and Performing Arts Center

### Warren County (Bowling Green) \$336 million

**Tourism region:** Caves, Lakes and Corvettes  
**Previous total:** \$325 million

**Some of the top attractions:** National Corvette Museum, Shanty Hollow Lake, Riverview at Hobson Grove

### McCracken County (Paducah) \$299 million

**Tourism region:** Western Waterlands  
**Previous total:** \$291 million

**Some of the top attractions:** National Quilt Museum, Kentucky's Western Waterlands, Paducah Riverwalk, floodwall murals

### Hardin County (Elizabethtown) \$262 million

**Tourism region:** Bourbon, Horses and History  
**Previous total:** \$256 million

**Some of the top attractions:** Swope's Cars of Yesterday Museum, Historic State Theater, Hardin County Playhouse, Freeman Lake Park

### Daviess County (Owensboro) \$258 million

**Tourism region:** Bluegrass, Blues and Barbecue  
**Previous total:** \$240 million

**Some of the top attractions:** Owensboro Symphony Orchestra, International Bluegrass Music Museum, Legion Park, Western Kentucky Botanical Garden

### Boyd County (Ashland) \$172 million

**Tourism region:** Kentucky Appalachians  
**Previous total:** \$166 million

**Some of the top attractions:** Paramount Theater, Ohio River, Highlands Museum and Discovery Center

### Madison County (Richmond, Berea) \$154 million

**Tourism region:** Bluegrass  
**Previous total:** \$143 million

**Some of the top attractions:** Lake Reba, Kentucky Artisan Center, Boone Tavern, Studio Artists of Berea, Battle of Richmond Park

### Franklin County (Frankfort) \$150 million

**Tourism region:** Bluegrass  
**Previous total:** \$148 million

**Some of the top attractions:** State capitol, Buffalo Trace Distillery, Thomas D. Clark For Kentucky History

### Laurel County (London) \$145 million

**Tourism region:** Daniel Boone Country  
**Previous total:** \$149 million

**Some of the top attractions:** Laurel Lake, Daniel Boone National Forest, Levi Jackson State Park

### Scott County (Georgetown) \$128 million

**Tourism region:** Bluegrass  
**Previous total:** \$125 million

**Some of the top attractions:** Georgetown College, Yuko-En Japanese Friendship Garden, Old Friends Thoroughbred Retirement Home

### Christian County (Hopkinsville) \$119 million

**Tourism region:** Western Waterlands  
**Previous total:** \$113 million

**Some of the top attractions:** Pennyrile Forest State Resort Park, Alhambra Theatre, Trail of Tears Park, Kentucky Veterans Cemetery

### Campbell County (Alexandria, Newport) \$115 million

**Tourism region:** Northern Kentucky River  
**Previous total:** \$111 million

**Some of the top attractions:** Newport on the Levee, Newport Aquarium, Northern Kentucky Symphony, riverboats

\*Most recent statistics available

The University of Kentucky and developer EdR began construction last year on Central Hall I, the first dormitory to be built on campus since 2005. It is the first building in a multi-phase project to revitalize UK's on-campus housing.



University of Kentucky photo

## Groundbreaking Financial Innovations

Kentucky universities develop new public-private funding for hundreds of millions in campus capital projects

BY DEBRA GIBSON ISAACS

**W**ITH groundbreaking innovations in financing higher education construction, Kentucky public universities have undertaken hundreds of millions of dollars in capital projects in recent years – even as a recessionary economy caused multiple rounds of cuts in traditional state funds.

The most innovative approaches financially were developed for campus housing projects, an area of particular need but also one with its own revenue stream.

Also previously unheard of is the level of cooperation among the public universi-

ties in jointly requesting bonding authority for 11 projects at six of the eight state schools, which prompted happy legislators and the governor to OK the \$388 million in plan in record time.

With the exception of four emergency projects, the Kentucky General Assembly last appropriated General Fund dollars for capital construction or capital renewal projects on a state university campus in 2008.

And public higher ed institutions in the commonwealth already were billions behind in capital needs, according to an assessment by VFA Inc., a Boston firm the Council on Postsecondary Edu-

cation (CPE), the state universities and the Kentucky Community and Technical College System hired in 2007 to assess their physical infrastructure.

"Beyond the desired new facilities, the study found there was \$3 billion in deferred maintenance and capital renewal needed just to maintain integrity of physical infrastructure," said Sherron Jackson, senior policy advisor for CPE.

Years clicked by, buildings aged further, enrollments soared and projects such as dorm renovations, new sprinkler systems and new campus housing moved from "want" to "necessity."

Kentucky's university presidents are not a passive lot, though, and responded by becoming increasingly entrepreneurial, creative and united.



**Sherron Jackson,**  
Senior Policy Advisor;  
Council on Postsecondary Education

### Out-of-the-bell-tower entrepreneurship

In 1997, Gary Ransdell was the new president of Western Kentucky University with a question on his mind: What did students want most? Their answer: better residence halls.

But WKU's residence hall fees were just enough to cover the basics – debt service, staff, day-to-day operations and modest repairs. The university still had \$22 million in outstanding debt on the dorms with full debt relief 27 years away.

Ransdell looked at his meager options. Since the General Assembly expects dormitories to be self sufficient, there would be no legislative funding. And universities could not issue auxiliary agency bonds as they can today with legislative approval.

"We needed to raise new capital, pay off existing debt to the state so we could afford to finance new debt, and physically transform the buildings themselves without disrupting the revenue stream that would finance our current and future debt," Ransdell wrote in *Trusteeship*, a publication of the Governing Boards of Universities and Colleges. "We also needed to create an independent structure through which new debt could be issued and serviced."

He and his board decided to do something that had never been done on a university campus, anywhere. WKU would relinquish ownership of its residence halls through an intricate plan that provided a way for the university to recapitalize and renovate the residence halls.



**Gary Ransdell,**  
President,  
Western Kentucky University



Ransdell and board incorporated a Student Life Foundation (SLF) as a non-profit, nonaffiliated, tax-exempt Kentucky corporation to operate exclusively as a supporting organization for WKU's Foundation. Any excess funds generated by the SLF could be paid to the foundation, and the foundation would use the funds to benefit the university.

The legislature's Capital Projects and Board Oversight Committee approved the plan, and within two weeks the SLF purchased 17 of WKU's 18 residence halls (one dorm was reserved for a different purpose). The SLF issued \$65 million in tax-exempt bonds backed by dorm bed rental revenue to pay the \$22 million still owed, transaction costs, renovation costs, and establish SLF operating and repair reserves.

WKU's \$22 million in outstanding "university housing and dining bonds" all were redeemed and taken off state books. When the SLF bonds mature, the university has an option to buy the buildings back or continue under the management agreement with the SLF.

"The whole transaction is invisible to students because the Office of Resident Life manages the resident properties," Ransdell said. "We were able to take a poor-quality living environment on campus and turn it into state-of-the-art living environment. It was entrepreneurial and a little risky, but it worked."

#### Collaborative creativity

"The universities are being creative about things that are identified as criti-

cal to the well being of their campus and their ability to compete for good faculty and students," observed CPE's Jackson. "Students are looking at campuses to see what kind of facilities they have and then making their decisions on where they are going to go."

Jackson said the University of Louisville has been particularly creative when it comes to student housing.

"We haven't had any money for residence halls from the General Assembly, even in the form of agency bonding, in 15 years," said Shannon Staten, director of housing and resident life for UofL. "Not that we've asked the legislature every time, but we have been thinking out of the box for about 15 years."

This new way of thinking started in 1997, when then-President Dr. John Schumaker wanted to expand campus housing capability from 9 percent of UofL students to 19 percent. He also wanted to update older residence halls. Beyond financing, UofL had two additional complications.

The university needed additional beds fast – to accommodate a new UPS program for third-shift workers offering the perk of a company-paid college degree. University housing that would accommodate employees' unique needs was a key to its success, the company believed.



*Shannon Staten, Director of Housing and Resident Life, University of Louisville*

UofL also wanted to meet its goal using a public financing model.

The school did hold one ace in its hand: university-owned land that had already been designated for student housing.

"We formed ULH Inc., an entity within the University Foundation," Staten said. "ULH Inc. contracted with EdR Trust (a Memphis-based company) to design, build and manage four new buildings (with 1,220 beds). The residence facilities were built between 2000 and 2006 at a cost of \$56.3 million funded in tax-exempt bonds."

The university met its goal of 2,900 beds by the end of 2006. Upperclassmen now have an apartment-style housing option in Bette Johnson Hall. Underclassmen can choose private or double-occupancy suites at Herman & Heddy Kurz Hall. Community Park includes five Greek chapter houses plus suite-style residence hall units. Billy Minardi Hall houses athletes and general students and offers food service.

"It worked well for us, Staten said. "EdR Trust did a good job of managing the facilities and working with the university to meet students' needs. But all along, when it came time for us to renew we thought there would be no reason to. But we found it was more cost efficient and easier for EdR to continue to manage them."

UofL wasn't finished, it turned out. Enter James Ramsey, UofL's current president, who upped the goal for on-campus student housing to 32 percent to make the school more of a residential rather than a commuter college.

"At that time, we didn't have any more land and still didn't want to rely on agency bonding," Staten recalled. "We had to get creative again."

UofL successfully invited adjoining property owners into a "bridge" partnership to build and run student housing.

"This has resulted in quality student apartments on the edge of our campus where the owners/managers work within our standards and guidelines and collaborate with us on the programming and activity on site," Staten said. "This intentional bridging to the students has provided locations for our students to live with a more private and independent lifestyle while remaining connected to the campus through programming, crisis response and staff training. We endorse these communities to our students who qualify to live there."



*James Ramsey, President, University of Louisville*



Clinton Lewis/WKU photo

*Many years ago, Western Kentucky University led the way in finding a creative solution to physically transform its residence halls. The university relinquished ownership of the dorms and developed an intricate plan to recapitalize and renovate the structures, including Pearce-Ford Tower, which was revitalized in 2009.*

## CONSTRUCTION

*Central Hall I at the University of Kentucky, Phase I of a campus-wide revitalization project, will be available for undergraduate occupancy in fall 2013. In Phase II, developer EdR would demolish and replace the majority of current on-campus housing, expanding it to 9,000 beds over the next five to seven years.*

### Yet more creativity

Less than 100 miles away, the University of Kentucky also found working with private developer EdR Trust beneficial. In fact, UK became the first U.S. school to work with an outside company for all its residence halls, according to Penny Cox, housing project implementation director.

Phase 1 of UK's agreement with EdR Trust, New Central Hall, will be complete in July and open this fall, said Tom Trubiana, executive vice president and chief investment officer of EdR Trust, a real estate investment trust that owns or manages 67 communities in 24 states with more than 37,000 beds.

**Tom Trubiana,**  
Executive  
Vice President,  
EdR Trust



**Penny Cox,**  
Housing  
Project  
Implementation  
Director,  
University  
of Kentucky

Unique at UK is that EdR is using its capital exclusively to build the first \$28 million project, a living/learning center with 600-beds and 19 active learning rooms that is designated for honor students and freshman.

"There are no taxpayer monies being used on the project," Trubiana said. "There is no debt being placed on the properties either."

EdR will own the buildings under a long-term ground lease with UK, operating the buildings with its employees and giving UK a cut in rent revenues.

University of Kentucky photo

### Follow UK construction progress by webcam:

- [earthcam.com/client/edr/ukhagginhonorsdorm](http://earthcam.com/client/edr/ukhagginhonorsdorm)
- [oxblue.com/open/EDR/ChampionsCourt](http://oxblue.com/open/EDR/ChampionsCourt)
- [oxblue.com/open/EDR/WoodlandVillage](http://oxblue.com/open/EDR/WoodlandVillage)

ties go far beyond financial, Cox said.

"Students do much better academically when they live on campus, where they can engage more readily with faculty and residential life-support systems," she said. "The active learning spaces constructed in our new facilities will expand our educational environment to include the times and places students live, eat, play, study and socialize."

The General Assembly has given UK permission to spend \$175 million on phase two of the plan.

Phase 2 will include Champions Court 1 and 2, which will have 1,167 beds and 19 active learning rooms; Woodland Glen, with 1,818 beds and 33 active learning rooms; and Haggan Hall with 332 beds and 19 active learning rooms. All are on schedule for opening in 2014 at a total cost of \$133 million.

Rent at the new facilities will be the same as for upper-end housing already available at the university.

UK also has found other creative ways to fund much-needed facilities, including using an asset most universi-

ties lack: an athletic program producing a solid revenue stream.

### Academics and athletics

"President (Eli) Capilouto and I talk often, both about athletics and the campus," said Mitch Barnhart, UK's athletic director. "We had been talking for several months about campus infrastructure needs – from commonwealth to academic issues. President Capilouto has been very supportive of our desire, using our resources, to upgrade athletics facilities on behalf of our student athletes and fans. I told him that we wanted to contribute to improvements in the academic campus."

"We've long been partners in that regard and, fortunately, we've been in a position to contribute millions of dollars each year toward academic scholarships and other programmatic needs on the campus. President Capilouto identified the science and academic facility as a critical infrastructure need."

From those discussions and other meetings came an unprecedented agreement. UK Athletics would provide \$65 million toward a new science building that will be a successor to the circa 1962 Chemistry/Physics Building.

To UK's knowledge, the athletics program financing is unique.

"I'm not aware of this level of investment occurring anywhere else," Barnhart said. "But we have an incredible fan base that passionately supports this program. We are in the premier athletics conference in the country. And we have built, over a long period of time, a strong program, one that is among the handful in the country that is truly self-sustaining."

Barnhart is among the small circle in university administration that report directly to the president.

"Mitch is involved in and knows what



**Mitch Barnhart,**  
Athletic  
Director,  
University  
of Kentucky



*Construction of residence hall Woodland Glen I, shown here in an artist's rendering, is part of the second phase in a campus-wide revitalization project at the University of Kentucky. Located at the corner of Woodland and Hilltop avenues, Woodland Glen I will have 1,818 beds and 33 active learning rooms.*



is happening across campus,” said Steve Byars, assistant vice president for government relations at UK. “He’s also a real team player. He saw that athletics had the resources to make an impact on the entire university. He saw it as the right thing to do.”

And this is far from the first time athletics has given academics a financial assist, Barnhart emphasized.

“We have over the years funded millions of dollars in programmatic needs for the university, from music to the Center for Research on Violence Against Women to a prominent auditorium and meeting space in the W.T. Young Library,” he said. “We understand the needs on campus and continue to pay full cost on in-state and out-of-state tuition along with sharing licensing revenue 50-50 with the university. In total, we spend over 25 percent of our expenses back on campus.

#### “United we stand”

This kind of collaborative, do-what’s-right thinking enabled Kentucky’s public universities to gain 2013 General Assembly approval for six schools to borrow \$363.3 million to build or renovate 11 buildings. The universities estimate the projects will create 5,100 construction jobs in 2013 and



*Champions Court at the University of Kentucky, shown here in an artist's rendering, will have 1,167 beds and 19 active learning rooms.*

generate an economic impact of a \$622.9 million – in addition to benefiting students, most of whom will go on to contribute the state economy.

Again, the postsecondary capital project construction involves no General Fund appropriations. Money will come from agency bonds, which require institutions to use their own money to service the debt.

Unique, however, is that the multi-project authorization request from the public universities came collaboratively in one document, rather than competitively as individual requests. All the schools have wants and needs, but they worked together for months and jointly submitted to legislators “A Proposal for Shovel-Ready University-Funded Capital Investments,” a document detailing 11 projects and their impacts.

In response, legislators gave their OK in record time, and in an odd-year short session, requiring a three-fifths vote. Some of the projects had been considered but failed to gain approval in the 2012 legislative session.

The university presidents met repeatedly through the summer of 2012 to discuss the matter, said Robert Jackson, associate vice president for development and governmental relations at Murray State University. The presidents’ facility management and government relations staffs got involved, too, said Jackson, who was a state senator from



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1997 to 2004 and has first-hand knowledge of the legislative process.

"We all meet often and get along well," Jackson said. "We have worked together collectively on many projects and are all supportive of each other."

However, these 2012 meetings produced a first – a collective agreement among the universities spelling out agreed-upon priorities and bearing the endorsement of all the presidents, including two with no projects on the list. It was one for all and all for one.

"The universities have worked together well for a long time, but I think having a unified message was really important," Byars said. "I think it was important that we had the criteria for our priorities described in detail. We said: Here's a way for the General Assembly to help the universities help themselves."

The university presidents felt the projects could not wait until 2014, said Joe Wind, vice president of government and community relations at Northern Kentucky University.

"These projects were all advanced in the last regular session and were not approved," Wind said. "They all were priorities more than a year ago. This, coupled with the rates for bonding and lower materials costs that will save money, convinced the presidents that they couldn't wait until 2014 to begin these facility improvements."

The university leaders had to determine which projects to champion and established four criteria. The proposals had to:

- Be shovel-ready, able to begin construction in the next year.
- Not increase tuition costs; have a funding source in place.

- Have significant immediate impact on students and the college experience.
- Have a significant impact on Kentucky's economy.

The long list was whittled down to 11 projects that met the four criteria.

"What is even more impressive," Wind said, "Eastern Kentucky University and Kentucky State University did not have a current project with a funding source identified but signed on to the list because Dr. (Mary Evans) Sias and Dr. (Doug) Whitlock felt that this effort was important to the state. The other presidents would have done the same thing."

## The future: more win-wins

The final proposal hints at future collaboration in its first sentence:

"We, the presidents of Kentucky's four-year public universities, are providing you with this first in a series of collaborative initiative to maintain momentum at Kentucky post-secondary education institutions during these difficult financial times."

Wind believes there will be such collaboration in the future and said NKU plans to be part of it. Robert Jackson at Murray State concurs.

"We are being strongly encouraged," he said, "and everyone involved says we need to do this again. The legislature is a complex place dealing with complex issues. It is much easier for legislators when they are dealing with one voice with everyone on the same page rather than five people with five messages."

CPE's Sherron Jackson praised the "ingenuity of having the institutions come together as a unit." The result "was so overwhelmingly positive."

"Everyone is pleased the universities

are getting their buildings. They are paying for them with their own money. There is not a down side. I can't imagine they wouldn't want to do it again. It's a win-win, and everyone is always looking for that."

Similar win/win comments dominate discussions about the use of outside firms such as EdR Trust.

Officials at UofL "consider them (EdR Trust) a part of campus housing," Statten said. "We work with their managers on training. We provide bridge programs from student affairs. It is really quite phenomenal. We have been able to negotiate several business changes, and now students have no clue who manages the buildings because it all feels the same to them. We do a lot of things in tandem in a way that is really unique to most campuses."

Others are taking notice of what Kentucky's universities are doing.

"The level of interest in collaboration has drastically increased," Tribuana said. "The state of the economy is a concern. State appropriations for universities are down. A lot of student housing on campus was built in either late '50s or mid-'60s. It is not what students want today, and at most universities there is a tug of war for appropriations. All of this and more make public/private partnerships a good idea." ■

*Debra Gibson Isaacs is a correspondent for The Lane Report. She can be reached at [editorial@lanereport.com](mailto:editorial@lanereport.com).*



**Robert Jackson,**  
Associate Vice  
President for  
Development  
and Governmental  
Relations,  
Murray State  
University

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## SPOTLIGHT ON THE ARTS

### Mary Michael Corbett Appointed Chair of Kentucky Arts Council Board

GOV. Steve Beshear appointed Mary Michael Corbett of Louisville to the Kentucky Arts Council board, and reappointed four current board members. Corbett was appointed board chair and will serve the remainder of an unexpired term ending Feb. 1, 2015.

Corbett is the system vice president and government relations officer for Norton Healthcare and serves on numerous boards and committees for professional and civic organizations. She previously served on the arts council board.

The reappointed board members, whose terms will expire Feb. 1, 2017, are: Randall C. Vaughn, Lexington; Todd P. Lowe, Simpsonville; Jayne M. Waldrop, Lexington; and Kathleen T. Setterman, Ashland.

Other members of the board are: Everett McCorvey, Sonya G. Bake, Paul Fourshee, Ronald Johnson, Carla Bass Miller, Wilma Brown, John S. Hockensmith, Henrietta Kemp, Josephine Richardson, Andrea Rudloff, Helen Mountjoy and Roanne Victor.



Mary Michael  
Corbett



The Kentucky Quilt Trail project features quilt squares painted on a wide variety of canvases, such as barns and floodwalls.

### ‘Aerial America’ TV Series to Include Kentucky Quilt Trail

FILM crews and producers of the documentary series “Aerial America” for the Smithsonian Channel are scheduled to fly by helicopter across Kentucky for five days in late April or early May to document parts of the Kentucky Quilt Trail. The crew will capture the special patterned squares through exciting helicopter visuals.

It’s the largest aerial high-definition project ever undertaken in the United States, capturing the unique history, iconic landmarks and most beautiful natural features of each state.

Since its debut last year, the series has shown the volcanoes of Hawaii, the mansions of Rhode Island and the coastal highways of California. Ten new episodes this summer on Sunday nights at 8 are showcasing, among other spots, the Civil War landmarks of South Carolina; the origins of Boeing, Starbucks and Microsoft in Washington State; and the route of Henry Hudson’s expedition in New York. The Kentucky episode’s air date has not yet been announced.

Learn more about “Aerial America” at <http://bit.ly/aslSJM>.

The Quilt Trail project has taken deep root in Kentucky. The first square in Kentucky was painted and hung in Carter County by local volunteers with support from the Gateway Resource Conservation and Development Council. The project spread as a grassroots movement with each community introducing its own twist, painting quilt squares not only on barns, but also on floodwalls, craft shops and restaurants.

The Kentucky Arts Council’s a book, “Kentucky Quilt Trails: Views and Voices,” features stunning photographs of the quilt trail.

For more information, visit <http://1.usa.gov/14ybqyX>.

### Sarabande Books Wins the 2013 AWP Small Press Publisher Award



Sarah  
Gorham

LOUISVILLE-based Sarabande Books has been named winner of the inaugural Small Press Publisher Award from the Association of Writers & Writing Programs.

“This is a rare and much-needed prize and we’re very grateful that AWP has chosen to create it,” said Sarah Gorham, editor-in-chief and co-founder of Sarabande. “Books get lots of prizes. Editors get a few. But independent presses get even fewer than that. The honor is also a collective one. We all know an independent publisher is a tidy sum of many parts and many people.”



Sarabande  
Books

Sarabande Books was founded in 1994 to publish poetry, short fiction and essays, and to serve as an educational resource for readers, students, and teachers of creative writing. Its first titles appeared in 1996, and the press currently has more than 160 titles under contract or in print, many of them prize-winning.

AWP serves nearly 50,000 writers, 500 college and university creative writing programs, and 125 writers’ conferences and centers. Its new Small Press Publisher Award is an annual prize for nonprofit presses and literary journals that recognizes the important role such organizations play in publishing creative works and introducing new authors to the reading public.

### Arts Events Around the State

#### Kentucky Writers’ Day

Capitol Rotunda, Frankfort  
11 a.m. April 24  
[artscouncil.ky.gov](http://artscouncil.ky.gov)  
(502) 564-3757

#### How Small a Thing Can Be Pleasing Exhibit

The Living Arts and Science Center  
April 19-May 25  
[lasclex.org](http://lasclex.org)  
(859) 252-5222

#### Mounting Toward Zenith / Descending And Disappearing

A Matthew Ronay exhibit  
Kentucky Museum of Art and Craft,  
Louisville  
[kentuckyarts.org](http://kentuckyarts.org)  
(502) 589-0102

#### The Music of the Who

The Kentucky Center for  
the Performing Arts  
Whitney Hall, Louisville  
8 p.m. April 27  
[kentuckycenter.org](http://kentuckycenter.org)  
(502) 562-0100

#### Stomp

SkyPac, Bowling Green  
7:30 p.m. April 23-24  
[theskypac.com](http://theskypac.com)  
(270) 904-1880

#### Janice Miller Demonstrates Folk Painting

Kentucky Artisan Center at Berea  
10:30 a.m.-3:30 p.m. April 27  
[kentuckyartisancenter.ky.gov](http://kentuckyartisancenter.ky.gov)  
(859) 985-5448



Lori Meadows is executive director  
of the Kentucky Arts Council.

# LEGISLATIVE RECAP

LRC Public Information photo



Sen. Perry Clark, D-Louisville, left, congratulates Sen. Paul Hornback, R-Shelbyville, following passage of the somewhat controversial industrial hemp bill in the Kentucky Senate. Hornback sponsored the legislation, which passed both chambers with an amendment on the last day of the General Assembly session. The bill creates an administrative framework for farmers to grow industrial hemp in Kentucky if the federal government lifts restrictions against production.

## TAKING CARE OF BUSINESS

2013 General Assembly brought a refreshing change

BY ELLEN C. WILLIAMS AND SEAN CUTTER

THE closing of the 2013 General Assembly officially ushered in a new day in Frankfort. New coalitions of leaders worked together in ways not seen in Kentucky since divided government came to Frankfort in 1999 – the year Republicans assumed the majority in the state Senate. Democrats worked with Republicans, majority parties collaborated with minority parties, and the governor engaged with the legislature as a whole, all in a spirit of give-and-take compromise with the primary focus on policy over politics.

Even though most of the important legislation all piled up in the last 48 hours, when the General Assembly adjourned sine die at the stroke of midnight on March 26, there was one overwhelming theme: Mission accomplished! Jokes about beer cheese and Ale-8 soft drink legislation abounded for the last three months, but the legislature used every minute available to it during the 2013 session, and in doing so appear to have avoided a politically and financially costly special session.

The 30th and final day of this session was highlighted by a bipartisan compromise on state pension reform and a funding mechanism for pensions – a task that was so monumental it has political stalwarts and pundits saying this may be the most important – and historic – legislative

session since the passage of KERA (Kentucky's landmark education reform bill) in the early 1990s.

However, by striking an agreement on the pension funding mechanism without incorporating any major tax reform elements, it is now unlikely the governor will call legislators back to Frankfort to attempt some form of comprehensive tax reform. Instead, that task will likely fall to legislators in the 2014 legislative session when they tackle the next two-year budget cycle – if tax reform is addressed at all.

While the passage of the pension bill was the highlight, the House and Senate both lasted into the wee hours to override Gov. Steve Beshear's veto of the religious freedom bill. HB 279 affirms government shall not infringe any person's sincerely held religious beliefs unless it shows clear, convincing evidence there is a compelling interest for doing so. Gay-rights and human-rights groups opposed the bill, saying it could be used to challenge local laws in Louisville, Lexington and Covington designed to protect gays and lesbians from discrimination. In the midst of high-level pension negotiations, the governor vetoed HB 279 and the General Assembly calmly gave due consideration and overrode his veto.

In scoring the legislative session as a major success with a numerous accomplishments, lawmakers cited the passage of a plethora of significant bills, including:

- Authorizing bonds for universities to build or renovate dorms and other academic buildings.

- Adjustments to the state's Tax Increment Financing incentives that will allow projects like Lexington's CentrePoint to proceed.

- Providing regulatory framework for growing hemp, should the federal ban be lifted (championed by Agriculture Commissioner **Jamie Comer**).

- Allowing overseas military to receive a ballot electronically for voting (championed by Secretary of State **Alison Lundergan Grimes**).

- Transparency and accountability for special taxing districts, such as sewer districts and library board (championed by Auditor **Adam Edelen**).

- Fixes and other tweaks to the 2012 landmark "pain pill mill" and synthetic drug legislation.

- Gradually raising the school drop-out age to 18 in Kentucky (championed by the governor).

- Allowing high school juniors to graduate from high school early and attend a public university, allowing them to enter the workforce more quickly.

- Establishing a statewide teacher evaluation system that will take into account student progress, administrator and peer observations and parent surveys.

- Modernizing the state's antiquated alcohol laws, including being able to buy alcohol on election day.

- Creating human trafficking safe haven legislation.

- Creating a single standardized business identification number for businesses that file various documents with state agencies.

Despite the successes of 2013, the session did have its failures. Several high-profile pieces of legislation were not adopted in this short session because they ran out of time, were too politically controversial or were held over to address in the 2014 budget session.

Failed pieces of legislation include:

- Telecommunications modernization, which would have repealed outdated regulations that serve to limit investment in new wireless telephone and broadband technologies in Kentucky.

- A bourbon barrel tax credit, which would have provided Kentucky's signature bourbon industry a corporate tax credit against the ad valorem taxes paid each year on aging barrels of bourbon resting in warehouse across the state.

- Angel Investor Tax Credit, which would have allowed a tax credit for



those that invest in small business start-up companies.

- A coal county scholarship program, which would have provided financial assistance for students from coal producing counties to attend college.

- Medical review panels, which would have established a medical review panel process for lawsuits against long-term care facilities.

- A statewide legislative redistricting plan.

By far, public pension reform was the single largest task accomplished this year. Lawmakers have been grappling with the pension system since 2005 in an effort to shore up the state's struggling retirement system and help stave off a looming financial crisis. Gov. Beshear led negotiations between House and Senate leaders during the 10-day veto recess period, during which he forged a compromise to both the funding of the pension program and making the necessary structural changes.

The plan includes a cash-hybrid balance plan (a defined contribution plan that guarantees a 4 percent annual rate

or return) and funds the actuarial-required contribution (ARC) with \$200 million in new revenue over the next two years. The plan was funded through a creative "revenue neutral" tax plan that reduces some personal income tax exemptions, provides a used car trade-in credit when buying a new vehicle and incorporates many obscure tax-compliance issues that will be utilized by the state Revenue Cabinet.

Of particular interest to retailers and corporations are items in the funding provisions that lower the vendor/retailer compensation for the collection of sales taxes (which generates \$11 million for the state) and provisions that change the disclosure requirements for corporate "management fees" with related-party transactions for corporate income tax purposes (which generates an additional \$415 million to the state). There are also more obscure tax compliance and other tweaks pertaining to public-service companies and severance taxes.

Barring the need for a special legislative session, which the governor would have to call, the Kentucky General

Assembly will not convene again until January 2014. Monthly interim legislative committee meetings could start as soon as May, as legislators begin hearings on the next round of issues of importance to the commonwealth.

As the ink dries and the lights dim, politicians will look back on the 2013 legislative session as one that struck a new chord of harmony and trust between Democrats and Republicans, and lawmakers and the governor. Under the new leadership of Senate President Robert Stivers, there was an unprecedented cooperation between the Republican-controlled Senate and the Democratic administration. Coupled with the Democratic-led House, this emphasis on making policy a priority over "gotcha" politics in the final hours resulted in all Kentuckians benefitting for new public policy. ■



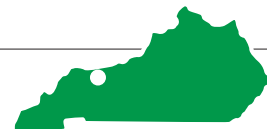
Ellen C. Williams is a member and Sean Cutter is director of MMLK Government Solutions.

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*Vibrant daylilies are the stars of the show in Owensboro during the Dazzling Daylilies Festival at the Western Kentucky Botanical Garden. Now in its fourth year, the festival takes place June 21-29, when daylilies blanket the garden with an array of colors, sizes and shapes.*

## Waltz Through the Flowers

Owensboro daylily festival puts on a dazzling display

BY KATHERINE TANDY BROWN

**T**HE Southeast Tourism Society (STS) knows its business. If you're looking for things to do, you can't go wrong following its recommendations. And last year, right up there with Louisville's Kentucky Derby Festival on STS's "Top 20 Events for Spring in Kentucky" was the Dazzling Daylilies Festival at the Western Kentucky Botanical Garden (WKBG) in Owensboro. Who wouldn't be dazzled by a carpet of daylilies screaming in vivid hues?

Now in its fourth year, the festival takes place June 21-29, when daylilies blanket the garden with an array of colors, sizes and shapes. Some have smooth edges, some are rough. Some have prominent eyezone color (a darker colored zone on the petals and sepal) and some don't.

Some, called spiders, have thin petals, while others have wide petals.

"We have a fairly large, nationally-recognized daylily garden with 500 different registered cultivars," explained volunteer Bill Tyler. "The highest award a cultivar can receive is the Stout Silver Medal, presented annually by the American Hemerocallis Society, and we have an entire bed of those winners. We also feature daylilies that are introductions of some nationally known Kentucky hybridizers – Daylily World near Lawrenceburg, Thoroughbred Daylilies near Lexington and Wonderland of Daylilies in Magnolia.

"There are daylily clubs throughout the state. People really get involved in their daylilies."

During the festival, visitors can call ahead to book a guided garden tour, a great way to learn the various kinds of daylilies, the nuts and bolts of hybridization and the history of these popular flowers that are native to Japan and China. American pioneers carried them west, spreading those now-profuse orange "ditch lilies" as they traveled.

Other highlights of the annual event include hot air balloons, live music, bring-your-own picnicking, numerous food vendors and exquisite candlelight dinners prepared by the "Chefs of the Garden" in a VIP tent and in the Cottage in the Garden, a lovely home donated and moved there from the city's Stone Creek Park section.

WKBG's annual Daylily Sale takes place on the festival's final day, always the last Saturday in June. So you can peruse those in bloom to find your favorites and purchase them in one of three ways: by digging your own, taking them home already potted or buying a bare root to plant.

During each month of the growing season, the garden presents a "Walk & Talk & Learn" during the business lunch hour. Chefs of the Garden serve lunch while an expert presenter speaks. On June 25 the program will feature Owensboro photographer Kate Higdon alongside the spectacular daylilies.

Unlike many arboretums, the WKBG was not created from the grounds of an estate, said Bill's wife, Susie Tyler. "Berry Farm was all corn and soybeans. This marks the 20th year since work began on the garden. Creating the garden has been quite a process."

She should know, as she and Bill owned and operated WeatherBerry Farm Bed and Breakfast on the property. The 1840s Italianate farmhouse is listed on the National Register of Historic Places, but is now privately owned and closed to the public. In 1994, the couple gifted eight surrounding acres of farmland to the city of Owensboro to be developed into a botanical garden. Both now serve in volunteer capacities: Bill plants trees and hybridizes daylilies, among other activities, while Susie handles the



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director duties. All except one employee are volunteers that conceive and arrange programming, maintain the garden and serve in administration.

Among 23 stops on a guided or self-guided WKBG tour are the Rose Garden, with more than 250 varieties; the Moonlite Children's Garden, with smaller themed gardens, like a Butterfly Garden, Zoo Garden and Pizza Garden; the Herb Garden, with medicinal, tea, culinary, fragrant and dye sections; a contemplative garden; a Japanese Garden; an Ericaceous Garden for acid-soil-loving plants, such as azaleas and rhododendrons; and the Children's Playhouse, which features a full working kitchen for cooking veggies and popcorn.

Truly a community resource, WKBG offers educational programs for youth, organizations and groups year-round, plus changing exhibits. In 2008, sculptor David Rogers' "Big Bugs" exhibit (big-bugs.com) dotted the garden with gargantuan insects crafted from forest materials. Wildly popular, the exhibit returns Sept. 10, when the sculptor leads a "Walk & Talk & Lunch," and is on display through Oct. 30.

An ongoing program, the Child's Garden Adventure, challenges six-to-12-year-olds to use all their senses to journey through the garden, with nature as their teacher.

The entire garden, or its individual

venues – Welcome Center, gazebo, patio and tent – may be rented for meetings and events, and catering is available.

If you're curious about daylilies, find out more at daylilies.org, the official website of the American Hemerocallis Society. Western Kentucky Botanical Gardens is open seven days per week, 9 a.m. until 3 p.m., during growing season (March through November), and five days a week the rest of the year. Ogle the beautiful garden shots and plan your visit to WKBG at wkbkg.org or call (270) 852-8925. ■

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

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## Louisville's Creative Downtown Development Noted by *Forbes*

**C**REATIVE efforts to revive and restore Louisville's downtown were profiled last month by *Forbes* magazine, in an article about the real estate boom in America's city centers.

Many metropolitan cities are investing in their downtowns to attract the highly desired young professional demographic, *Forbes* said (visit onforbes.com/11D0hbl for the full article). One of the main factors businesses consider when site selecting is the available pool of college-educated workers, who "tend to want to live in tight-knit urban neighborhoods that are close to work and have lots of entertainment and shopping options within an easy walk," the magazine noted.

The demographic is growing fast in major city downtowns, twice as fast as in those cities' overall metro areas. In response, city planners are pumping resources into revitalizing their business districts.

The article discussed the efforts of Denver and Birmingham, but then turned to Louisville, where *Forbes* said city officials are taking a more creative approach.

"Over the past decade, Louisville converted much of its subsidized housing downtown to market-rate real estate,



Louisville Convention & Visitor's Bureau photo

*A public-private partnership is working to restore Louisville's historic Whiskey Row, where as many as 50 bourbon distilleries once were located. Developers have said a major attraction for live entertainment and food will be established there. Final plans for the \$5 million bourbon-themed project have not been announced.*

and expanded its retail offerings," the article states.

In 2011, the city unveiled a public-private partnership to restore Louisville's Whiskey Row. Renovations are under way and the buildings will be bourbon-themed restaurants, bars and nightlife spots. Distillers are reinvesting in downtown Louisville, and Heaven

Hill is planning a tourism attraction on Whiskey Row called the Evan Williams Experience, a visitor's center and craft distillery.

*Forbes* said Louisville has a way to go with only 4,500 people living downtown now – but a promising city study found 23 percent of residents younger than 31 would like to join them.

## Correction

**C**LOSE readers of last month's Banking & Financial Services Outlook feature, especially those in the Kentucky banking sector, might have wondered whether there had been a significant change in leadership involving a couple of the state's top banks that they'd not heard about.



Luther Deaton,  
Chairman,  
President/CEO,  
Central Bank

No, no, no, nothing like that. What did happen was, in professional journalism terms, we committed a typographical error.

The esteemed Luther Deaton remains chairman, president and CEO of Central Bank; he is not at Chase Bank as indicated under his photo in the March issue.

Paul Costel remains the chief Kentucky executive at Chase Bank, whether one refers to him as "President of Commercial Bank" or "President of Kentucky Market."

## UPIke Ranks Top 5 in Rural Medicine

**T**HE University of Pikeville-Kentucky College of Osteopathic Medicine (KYCOM) is among the Top five schools in rural medicine, rising significantly in the rankings for all medical schools in the nation, both D.O. and M.D., in the *U.S. News & World Report's* 2014 edition of *Best Graduate Schools*.

Moving up from 12<sup>th</sup> place last year, KYCOM tied for fifth place in rural medicine rankings with the University of North Carolina-Chapel Hill and the University of Minnesota, and is the highest ranked college of osteopathic medicine in this category.

KYCOM also is second in the percentage of graduates who enter primary care residencies in the latest *U.S. News* rankings.

"We are pleased to be recognized by our peer U.S. medical schools for excellence in rural medicine and for our commitment to training primary care physicians. This ranking is a remarkable achievement for such a young medical school," said Boyd R. Buser, D.O., dean

of KYCOM and vice president of Health Affairs at the University of Pikeville.

With the opening of a \$40 million educational facility last September, KYCOM began a new chapter in its mission of service. The Coal Building, named in recognition of an industry that has provided significant support to the institution for many years, features a clinical skills training and evaluation center, state-of-the-art robotic simulation, research and teaching laboratories, as well as classrooms, offices and student study spaces. It also accommodates a larger class size, which is in keeping with KYCOM's mission to alleviate physician shortages in Kentucky and Appalachia, especially in rural areas.

"The success of our medical school is demonstrative of the wisdom of our board of trustees when they embarked on this mission a little more than a decade ago," said University of Pikeville President Paul E. Patton. "I believe the school has met and exceeded our expectations."



## Actuary Study: Reform Will Hike Kentucky Health Insurance Claims Costs 34 Percent

WITH major provisions of the Affordable Care Act taking effect in less than a year, Society of Actuaries (SOA) research predicts expected changes in composition of the individual healthcare market could drive up claims costs nearly 32 percent nationally by 2017. In Kentucky, the actuaries' study foresees claims costs increasing 34.1 percent.

Healthcare reform is expected to expand insurance coverage by 32 million new enrollees, decreasing the percentage of uninsured Americans from 16.6 percent to

6.6 percent. In Kentucky, that percentage will fall from 16.7 percent to 5.3 percent.

Enrollment in the individual market could be 115 percent larger by 2017, according to the study, because of shifts from the employer market and from high-risk pools plus previously uninsured persons. SOA foresees 80 percent of individuals buying coverage through state exchanges, which will vet plans for compliance and offer consumers cost information.

While there are efficiencies from having more of the population paying its way inside the insured marketplace, SOA believe anticipated benefits will be more than offset by an influx of newly insured persons in the exchanges who will be receiving federal benefit and premium subsidies.

### Expected claims cost changes by 2017

States with the greatest changes in cost, assuming all states expand Medicaid:

#### Top five state increases

**Ohio:** 80.9 percent increase  
**Wisconsin:** 80.0 percent increase  
**Indiana:** 67.6 percent increase  
**Maryland:** 66.6 percent increase  
**Idaho:** 62.2 percent increase

#### Top five state decreases

**New York:** 13.9 percent decrease  
**Massachusetts:** 12.8 percent decrease  
**Vermont:** 12.5 percent decrease  
**Rhode Island:** 6.6 percent decrease  
**New Jersey:** 1.4 percent decrease

The result: individual-market claims cost will increase an average of 32 percent nationally, more than it would have been without the reform law.

The study predicts high variability among states, with as many as 43 states experiencing a double-digit percentage claims cost increase and some states experiencing a double-digit cost decrease.

The state-by-state picture is complicated, with individual market costs varying substantially across state lines. In some cases, the model projects that current low-cost states, such as Ohio and Wisconsin, could see increases of 80 percent, while other currently high-cost states, such as New York and Massachusetts, may see double-digit decreases.

## UK Great Dan Issel Graces Latest Fundraiser Bottle

DAN Issel, University of Kentucky basketball All-American and all-time leading scorer in school history, is featured on this year's Keeneland and Maker's Mark 17th edition of its signature charitable bottle series. An expected \$170,000 in proceeds from sales of the 20,000 numbered, limited-edition bottles will benefit the Gill Heart Institute at UK HealthCare. Last year, 65 health-care providers saw an estimated 16,500 outpatients at Gill Heart Institute and during 51 monthly outreach clinics covering much of Eastern Kentucky. Issel, a Thoroughbred owner today, scored 2,138 points at UK from 1967 to 1970, then became one of professional basketball's greatest scorers. He later coached the Denver Nuggets.

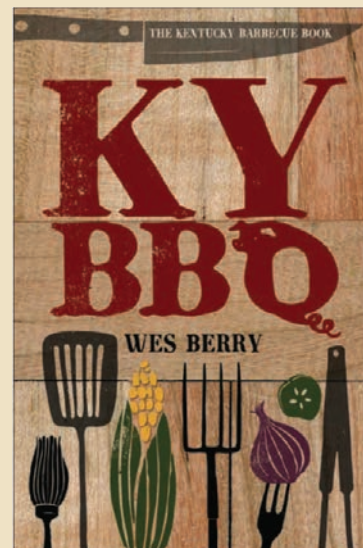


## Addendum



Jerry Abramson

LAST month's Perspective column made mention of potential Democratic candidates for Kentucky governor in 2015 but missed one significant name. Someone stage whispered in our ear that Lt. Gov. Jerry Abramson definitely should be on that list.



## West Ky. Author's Book a Feast for Barbecue Lovers

“AN education in all things Kentucky barbecue” is how Maggie Green, author of “The Kentucky Fresh Cookbook” describes barbecue aficionado Wes Berry's new book, “The Kentucky Barbecue Book.”

Published by University Press of Kentucky, “The Kentucky Barbecue Book” is a comprehensive guide to some of the most succulent barbecue menus and colorful personalities in Kentucky. It is the result of Berry's three years of intensive travels in Kentucky, during which he visited 160 barbecue shacks, joints, restaurants and festivals – eating, interviewing pitmasters, and taking photos along the way.

An associate professor of English at Western Kentucky University, Berry has long been interested in foodways, especially regional cuisines and the connections between eating and ecology. He often organizes his courses around food-related themes.

Berry also hosts a television show in Bowling Green spotlighting regional food, tourism, farms and businesses.

“The Kentucky Barbecue Book” can be purchased from University Press and several retailers.

## KENTUCKY PEOPLE

### RUSSELL SPRINGS: SUPERIOR BATTERY HOSTS EVENT HIGHLIGHTING INTERNATIONAL TRADE STRATEGIES



Superior Battery Manufacturing hosted more than 30 local and state dignitaries at its Russell Springs plant on March 20 for the Innovation in Exporting event, a discussion of successful international trade strategies. Among the speakers was former Gov. Martha Layne Collins (top, right), who as ambassador-at-large of international trade for the Kentucky Chamber of Commerce encourages companies to begin or expand exporting efforts to benefit the state's economy. The invitation-only event included a tour of Superior's plant, conducted by Superior CEO Randy Hart (above, left). Superior was one of three Kentucky companies to receive an export achievement certificate from the U.S. Department of Commerce International Trade Administration. At right, Superior Battery's Juan Sierra (left) and Ray Goodearl (right) accepted the certificate from International Trade Undersecretary Francisco J. Sánchez.



### HIGHLAND HEIGHTS: NKU HONORS CASTELLINI AS MASTER ENTREPRENEUR



Northern Kentucky University and the Haile/US Bank College of Business Fifth Third Bank Entrepreneurship Institute honored Robert H. Castellini (right) as the 2013 Master Entrepreneur at a black-tie event held in February at NKU. Castellini serves as chairman of the Castellini Group of Companies and has owned the Cincinnati Reds since 2006. The award recipient is selected each year by NKU entrepreneurship students and members of the institute's advisory board. A primary criterion for the award is that the individual has developed successful ventures in the Northern Kentucky/Cincinnati area and has exhibited solid evidence of giving back to the community. Pictured here with Castellini is NKU President Geoffrey Mearns.

### LEXINGTON: GREENE RECOGNIZED FOR SUPPORT OF FIRST AMENDMENT RIGHTS

Kim Greene (right) was recently honored with the James Madison Award from the Scripps Howard First Amendment Center at the University of Kentucky. The award is given to a professional with Kentucky ties who exhibits outstanding service and support for the First Amendment. Greene, who is of counsel in Dinsmore's Louisville law office, is a native of Ashland and received her J.D. from the University of Kentucky College of Law. She was integral in the establishment of the Freedom of Information Hotline for the Kentucky Press Association (KPA) in the 1980s and also assisted in starting the KPA's Legal Defense Fund in 1996. In 2001, she was named the KPA's most valuable member. Pictured here with Greene is Judith Clabes, former CEO of the Scripps-Howard Foundation.



David Thompson/Kentucky Press Association photo

### BARDSTOWN: HEAVEN HILL CELEBRATES ITS 6.5 MILLIONTH BARREL OF BOURBON



Heaven Hill Distilleries Inc. executives and local dignitaries gathered last month to commemorate the filling of the company's 6.5 millionth barrel of bourbon. The milestone makes Heaven Hill the only private family-owned company to reach that benchmark. Pictured at the celebration (left to right) are Bardstown Mayor Bill Shekles, Heaven Hill Master Distiller Craig Beam, Nelson County Judge-Executive Dean Watts, Heaven Hill Master Distiller Parker Beam, Heaven Hill Distilleries Executive Vice President Harry J. Shapira, Heaven Hill Distilleries President Max L. Shapira and Heaven Hill Distilleries Chief Operating Officer Allan Latts.



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