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OCTOBER 2013

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REBUILDING THE HOUSING SECTOR

After five years of decline, Kentucky single family starts up 35% in 2013

Page 28

LANE ONE-ON-ONE:
BILL THOMASON
President & CEO,
Keeneland Association Inc.



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HAPPY, STILL LIVE LIFE.

-Asia Ludlow
Cancer Patient



The spirit that Asia brings to the James Graham Brown Cancer Center, despite her difficult diagnosis with Stage 4 cancer, inspires the staff as well as other patients. Our skilled team of diverse cancer specialists uses a unique, multidisciplinary approach to determine the best treatment for each individual patient. "I am a person and a friend to them. I'm that person that they care about and that the researchers and the doctors and the nurses are doing everything possible to make me well and to make my experience great and for that I am truly grateful."

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24 COVER STORY

THE HOUSING SECTOR BEGINS TO REBUILD

After five years of decline, Kentucky single family starts up 35% in 2013

34 ASPHALT VS. CONCRETE

Kentucky's lopsided rivalry for the roads gives 98 percent of paving work to one surface type

38 CYBERSECURITY TAKES DISCIPLINE

Policies, training essential with new employees accessing business data via mobile devices

42 BUILDING INNOVATION INTO THE WORKPLACE

Kentucky companies find inventive solutions to getting and staying competitive

46 MEASURING KENTUCKY'S EQUINE INDUSTRY

UK study finds a multibillion-dollar financial footing under a signature state economic sector

50 A WORK-READY EDUCATION CONTINUUM

Linked processes from preschool to post-retirement create Kentucky's economic development outcome



On the Cover

Kentucky homebuilders have taken out 33 percent more single family home construction permits through the first eight months of 2013, an indication that the economically important housing sector is beginning to rebound.

Departments

4 Perspective

10 Fast Lane

19 Interstate Lane

20 Kentucky Intelligencer

22 Corporate Moves

23 On the Boards

24 Lane One-on-One:
Bill Thomason
President of
Keeneland



32 Leadership

48 Op-Ed

53 The Lane List

54 Exploring Kentucky

57 Spotlight on the Arts

58 Passing Lane

60 Kentucky People



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At the Sanders-Brown Center On Aging at the University of Kentucky, we believe hope is on the horizon. That's why, through research and clinical programs, we're tirelessly searching for breakthroughs that lead to successful aging. But we can't do it alone. Join the fight against age-related diseases such as Alzheimer's.



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PERSPECTIVE

TIGHTEN UP YOUR SEAT BELT

Watch for some turbulence
in the U.S. free market system

BY ED LANE

WITH so many important issues impacting the day-to-day lives of our citizens, a columnist could write dozens of commentaries and still have more subjects on which to opine. Consider these topics: quantitative easing 3, student loans, Dodd-Frank legislation, Fannie Mae and Freddie Mac, the government's defined benefit pension funds, healthcare exchanges, the \$17 trillion U.S. deficit, future inflation, the U.S. debt ceiling, immigration, food stamps, taxation, EPA regulations, reductions in coal and oil energy exploration, Solendra, Medicaid and Medicare, and many more.

What do these topics all have in common? They demonstrate how the federal government is assuming regulatory control over more aspects of our daily lives, increasing the tax burden on working Americans and drowning our citizens in an ocean of bureaucracy.

This trend is not new and it continues. The most recent initiative of the federal government is the Affordable Care Act, commonly known as "Obamacare." The legislation has good intentions and was conceived to provide healthcare benefits for uninsured citizens and to reduce the escalating cost of healthcare. Based on recent polls, most Americans agree these are good goals for healthcare. The pushback that ACA is currently receiving from our citizens and many elected officials in the U.S. Congress is not that the intentions of the healthcare plan are bad but that the business structure of the plan is flawed and will be a financial blunder.

No corporation in the world would risk all its capital assets on a plan to take over and manage a healthcare system serving approximately 300 million people and encompassing one-sixth of the entire U.S. gross domestic product. Why not? Because corporations have to keep an eye on bottom-line profits or go out of business. The federal government can make bad investments, overspend the taxpayers' money or invest in a failed business, because government has the power to assess and collect more taxes and to increase the national

debt to pay for its mismanagement. The U.S. government has an exceptional track record for cost overruns, and the Affordable Care Act may be known as the Unaffordable Care Act in the future.

Launching another giant federal program – one that has already promulgated 20,000 pages of rules and regulations – will require major and ongoing funding to support an even larger bureaucracy to implement and manage the ACA. Instead of creating a huge, complex, expensive and inefficient bureaucracy, America would be better served by innovating a new free-market healthcare system to serve all of its citizens.

Americans must take personal responsibility for their lives; long-term reliance on the federal government to provide for food, lodging, healthcare, retirement and other subsidies is not a sustainable financial model. That's why the U.S. deficit is steadily increasing by \$1 trillion a year. Additional deficits will ultimately lead to inflation and higher interest rates – hidden taxes on all our citizens.

I'm not an economist, so to close my commentary I am providing quotes on the free market system and personal responsibility written by Nobel Prize winning economist Milton Friedman. Tighten up your seat belt, the U.S. economy's free-market system may experience some turbulence. ■



Milton
Friedman

"The only way that has ever been discovered to have a lot of people cooperate together voluntarily is through the free market. And that's why it's so essential to preserving individual freedom."

"Concentrated power is not rendered harmless by the good intentions of those who create it."

"Inflation is the one form of taxation that can be imposed without legislation."

"Many people want the government to protect the consumer. A much more urgent problem is to protect the consumer from the government."

"We have a system that increasingly taxes work and subsidizes nonwork."

"Underlying most arguments against the free market is a lack of belief in freedom itself."

"There's no such thing as a free lunch."

– Milton Friedman, 1912-2006

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

UNIVERSITY of LOUISVILLE

2013 ANNUAL REPORT TO THE COMMONWEALTH



Fulfilling our promise

The University of Louisville is asked to fill many roles in our city, region and state. It is more than a center of learning. It's an economic engine; a springboard to our students' success; an incubator of innovation; a wellspring of heal-

ing. And, despite the many challenges that could threaten those roles, UofL is fulfilling each and every one of them.

This year saw an improved graduation rate, a record fundraising year and a campus population that surpassed our diversity and community goals. UofL's hardworking, energetic faculty and staff make these tough goals seem easy to reach and they're being asked to reach even higher in the current school year. Leading this effort is our Board of Trustees, a group of extraordinary leaders who are engaged in the life and success of the University of Louisville.

Moving forward, UofL has undertaken the "21st Century University Initiative." This campus-wide effort has created a way for us to take a hard look at ourselves to determine how we continue our amazing trajectory amid great challenges.

As always, I am proud to say that the University of Louisville has accomplished — and continues to achieve — the mandate set for it by the General Assembly in 1997. And, I am eager for you to read about just a few of the exceptional milestones from this last year.

Dr. James R. Ramsey, President

UofL's Trajectory

	1998 REPORTING YEAR	2013 REPORTING YEAR*
Average ACT score of all entering students (fall semester)	21.4	25.2
6-year graduation rate	30.1%	53.5%
Baccalaureate degrees awarded	1,734	2,731
Number of students living on campus (fall semester)	1,725	4,924 ¹
Doctoral degrees awarded	76	140
Startup companies (cumulative)	1	59
Patents (cumulative) Applications filed	151	1,499
Formal patents issued	55	260
License option agreements (cumulative)	17	188
Research expenditures	\$39.1M	\$186.2M
Endowed chairs and professorships	35	153
Annual Philanthropy Received	\$42.5M	\$162.1M

*2013 data are considered preliminary pending final audit and reconciliation.

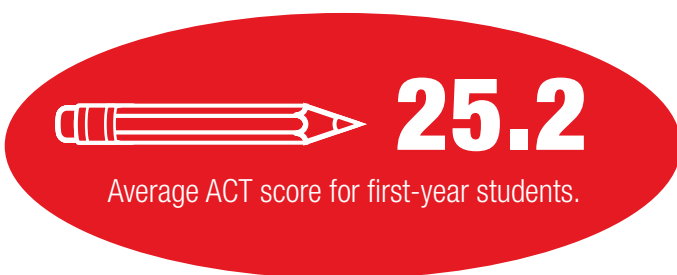
¹No longer includes University Park Apartments which were sold by UofL Foundation; West Hall no longer used as a resident facility beginning 2013.

Academics



Percentage point increase in graduation rate since 1998.

Fulbright Scholar winners since 2003, more than all other Kentucky universities combined, and on par with other prestigious universities such as Vanderbilt, Duke and MIT.



#9

UofL entrepreneurship programs rank No.9 in the U.S.

Source: Eduniversal (2012-13)

Athletics



UofL heads to the Atlantic Coast Conference in 2014; the right move at the right time.

Men's basketball wins 3rd national title, Women's basketball plays in national title game; Coach Rick Pitino voted into the Hall of Fame.

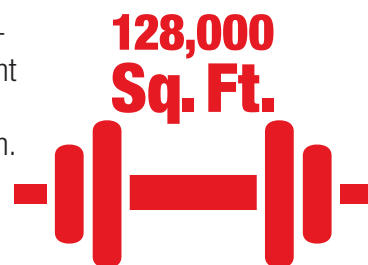


Capital Improvements



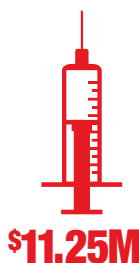
More than \$1.7 billion of capital improvements since 2003.

The new 128,000-square-foot Student Recreation Center opening this month.



Research

Bucks for Brains

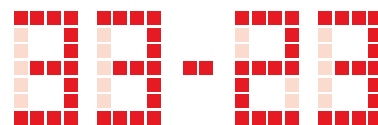


UofL Diabetes and Obesity Center, led by Aruni Bhatnagar, MD, received an \$11.25 million grant from the National Institute of General Medical Sciences to continue finding new and effective means to prevent and treat diabetes and obesity.

Susan Harkema, PhD, professor of neurological surgery, received \$6.3 million from the Helmsley Charitable Trust for developing the next generation of technology to help paralyzed people regain movement in their limbs.



UofL pulls off biggest upset in BCS history, beating the Florida Gators 33-23 in the Allstate Sugar Bowl.



CWS

Cards baseball returns to the College World Series for the first time since 2007.



UofL Foundation: Fulfilling the promise through development

In the last year, economic development spurred in part by the University of Louisville Foundation has transformed the cityscape, bringing outstanding development to the Louisville area. This includes new businesses, new jobs and the potential for billions in revenue. Here's an update on the most recent developments:



700 North Hurstbourne

UofL's ShelbyHurst Campus, in Louisville's east end, took another big step in development with the groundbreaking for 700 North Hurstbourne. The 125,000-sq.-ft., four-story structure will follow the success of the first building, 600 North Hurstbourne, that opened in 2012 and is fully occupied. Once completely developed, the ShelbyHurst Office and Research Park is expected to have more than 1.5 million square feet of space in multiple buildings. UofL expects 700 North Hurstbourne to open in May of 2014.



The Nucleus Innovation Park: Market Street

Located in the heart of downtown Louisville, adjacent to the city's burgeoning medical community, the 200,000-square-foot, eight-story building is the first in a soon-to-be four-building complex consisting of shared green spaces, parking garages and easy access to downtown quality of life. Opening in late October, this exciting new development will be a catalyst for economic development and innovation throughout the region.

Belknap Engineering and Applied Sciences Park



Plans are underway for the 33-acre Belknap Engineering and Applied Sciences Park, the centerpiece of a Signature Tax Increment Financing (TIF) district designed to stimulate growth in an area around UofL's Belknap Campus. The TIF district covers more than 900 acres stretching from Belknap Campus south to the Watterson Expressway. The Kentucky Economic Development Finance Authority recently gave preliminary approval for the TIF, paving the way for what could be an estimated \$1 billion in revenue for UofL over 30 years. The historic TIF project will ultimately leverage the academic and research functions of the University of Louisville into an exceptional economic engine that will result in an influx of high-wage jobs, growing revenue for the region and state. An Institute for Product Realization and Innovation is planned which would link UofL researchers with private businesses to come up with new products or systems and test them in the marketplace. Advanced manufacturing, logistics, analytics and computing will be the areas of focus. These collaborative efforts will create a research and economic hub that will transform the south and south-central areas of Louisville.



\$1.7 billion

Annual economic impact on the Commonwealth of Kentucky

\$132.9 million

Annually in state and local taxes

20K+

Jobs through direct & indirect employment

For every **\$1** in state money, **\$3** is returned to the state economy

Source: Meenck & Shanker, LLC

Partners for the future

At the end of 2012, University Medical Center and the University of Louisville announced a partnership among University Hospital, the James Graham Brown Cancer Center and KentuckyOne Health. The partnership includes \$543.5 million of investment during the first five years, expanding to \$1.394 billion over 20 years, including \$75 million annually for academic and program investments.

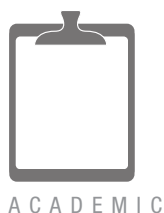
A critical component to becoming a premier metropolitan research university is having a thriving and vibrant academic health center. Today we have made a tremendous stride in achieving our goal. This is a partnership that works.

– UofL PRESIDENT JAMES RAMSEY



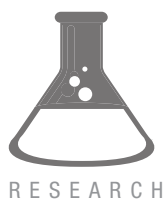
5-YEAR

plan to create statewide cancer, trauma, cardiovascular and physical rehabilitation service lines. **Solidifies** Louisville as a national destination for transplants and ventricular assist devices (VADs).



\$95 MILLION

dedicated to health science academic programs. Continues a 60-plus year tradition of **educating** health care professionals. **Enhances** downtown Louisville as academic destination.



\$3 MILLION

KentuckyOne to provide \$3 million annually dedicated to research. **Translates** research into tomorrow's treatments and cures. Expands research efforts **throughout the state**.

Forward thinking: The 21st Century University

UofL has embarked on the "21st Century University Initiative," designed to take a deep look at the institution and become more strategic, efficient and dynamic as we educate the next generation of students. Led by Provost Shirley Willihnganz, more than 300 faculty, staff, students, alumni and friends spent countless hours this spring examining and making recommendations for change in four distinct areas, which were formed after reviewing more than 8,000 comments from employees, students and the community. The initiative continues this fall, when the committees seek more campus input before refining their recommendations for final approval by the Board of Trustees in early 2014. **The key areas are:**

Academic and Research Priorities

- Identifying strategies and investigating opportunities needed to enhance UofL's academic/research reputation
- Investing in proven fields/programs
- Embracing other fields of study that are in demand
- Fostering growth in multidisciplinary collaborative areas, focusing on teaching, research and scholarship, in an effort to be best in class, both nationally and internationally

Technology, Demographics, Engagement, International

- Exploring how to expand asynchronous education delivery models
- Creating a strategy for targeted enrollment growth
- Supporting a commitment to community engagement and a diverse student body

Financial Health

- Examining the correct budget model for UofL
- Exploring how UofL can leverage its physical assets and purchasing power to ensure growth and continued financial stability
- Expand current efforts to better manage costs, strategically allocate resources and generate additional revenue

Culture of Excellence

- Continuing our efforts to implement our vision of a 'Culture of Excellence'
- Supporting internal initiatives as a way to help create and nurture a culture of continuous improvement

The report, endorsed by the Board of Trustees, can be viewed online at www.louisville.edu/21stcentury/committees/reports. Open forums will be held in the fall to discuss the proposals, with recommendations scheduled to be presented to the Board of Trustees by first quarter 2014.



CHARTING OUR COURSE

The Campaign for Kentucky's Premier Metropolitan Research University



Record-breaking year

The University of Louisville's Charting Our Course comprehensive campaign took a huge step toward its \$1 billion goal by raising more than \$161 million in private support for the 2012-13 fiscal year.

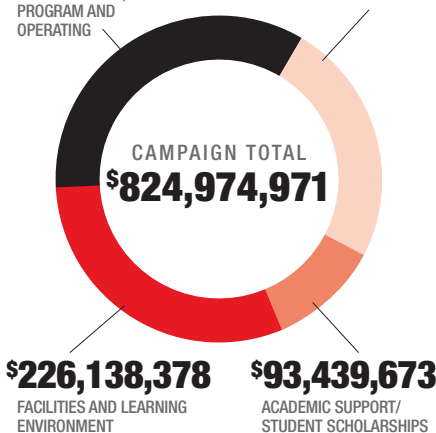
TOTAL RAISED PER CAMPAIGN PRIORITY AREAS*

\$293,581,723

FUND FOR UOFL, ANNUAL PROGRAM AND OPERATING

\$211,815,197

RESEARCH & FACULTY EXCELLENCE



NUMBER OF DONORS

72,772



NUMBER OF MILLION-DOLLAR DONORS

130



20 ENDOWED CHAIRS AT

\$21,485,242



156 ENDOWED SCHOLARSHIPS AT

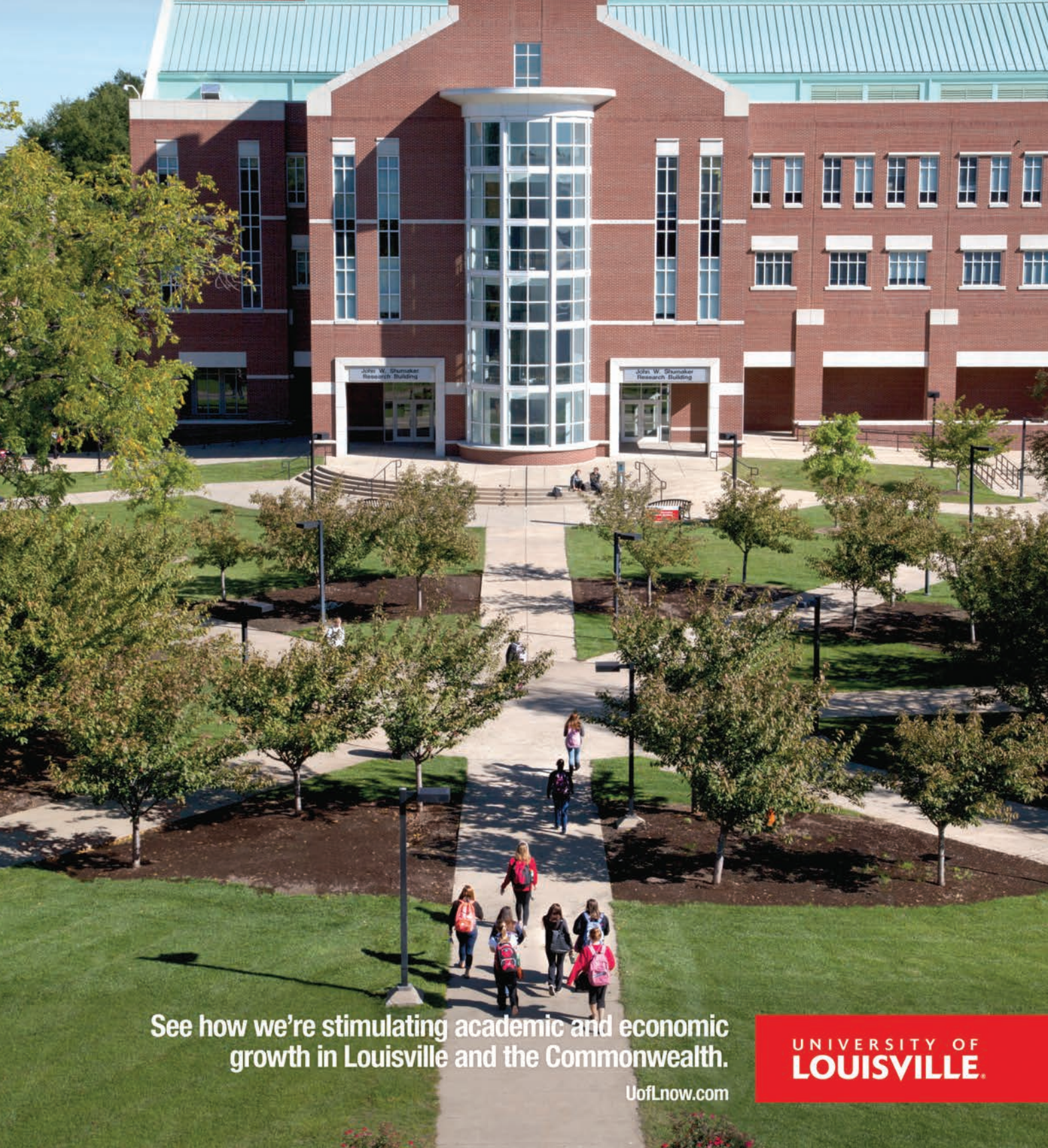
\$34,829,129

*THROUGH JUNE 2013

\$1.7B INVESTED IN FACILITY DEVELOPMENT SINCE '01

TRANSFORMING

THE CAMPUS. THE CITY. STUDENTS' LIVES.



See how we're stimulating academic and economic growth in Louisville and the Commonwealth.

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UNIVERSITY OF
LOUISVILLE

FAST LANE

A compilation of economic news from across Kentucky

LEXINGTON: BATTERY COMPANY ANNOUNCES PLANS FOR R&D OFFICES AND LAB AT SPINDLETOP RESEARCH PARK



From left, Nathan Ball, CEO of NOHMs Technologies Inc., Gov. Steve Beshear, Commerce Lexington CEO Bob Quick, University of Kentucky President Eli Capilouto and Lexington Mayor Jim Gray at the grand opening.

in Lexington and plans to utilize the **Kentucky-Argonne Battery Manufacturing Research and Development Center** and the University of Kentucky's Spindletop Administration Building.

The Kentucky-Argonne Center opened last year as a partnership between the Commonwealth of Kentucky, the **University of Kentucky**, the **University of Louisville**, and **Argonne National Laboratory**, which is a leader in basic battery research. Since opening, joint research projects have been developed with several major automotive manufacturers, including **Ford**, **Hitachi** and **Toyota**.

NOHMs CEO Nathan Ball said moving to Kentucky will enable the company to take the next step to develop and commercialize its products across a variety of markets.

"The capabilities that exist here and that are being installed as the center continues to grow are unparalleled in this country outside of a big company or a national lab," Ball said.

"NOHMs has a game-changing technology in the battery industry, and by using the world-class facilities and equipment at Kentucky-Argonne, NOHMs will be able to produce prototype quantities for testing this new technology," said Dr. Tony Hancock, executive director of the Kentucky Argonne Center. "We are actively recruiting other companies such as NOHMs to move to Kentucky, use this facility and help make Kentucky the center for battery technology."

NOHMs Technologies Inc. has selected Lexington to locate a state-of-the-art research, manufacturing and product development facility for military, cell phone and electric vehicle lithium-ion batteries.

The project is expected to create up to 162 new jobs.

Founded in October 2010, NOHMs has developed a battery that is based on lithium-sulfur chemistry. The company's vision is to commercialize lithium-sulfur battery technology that will revolutionize vehicle markets, including everything from spacecraft to electric automobiles.

The New York-based company is investing more than \$5.3 million to establish operations

DANVILLE: MARKET EVENTS LEAD TO WITHDRAWAL OF \$250M GIFT TO CENTRE

A\$250 million gift to **Centre College** from the A. Eugene Brockman Charitable Trust has been rescinded after the trust encountered a "significant capital market event" that "put considerable time pressure on efforts to structure the gift and the proposed scholarship program."

The gift, which was to be in the form of stock in **Universal Computer Systems Holding Inc.** (Reynolds and Reynolds), was announced in July. The donation – the largest outright gift ever presented to a liberal arts college – was to establish the Brockman Scholars Program in Leadership and Entrepreneurship and would have funded 40 scholarships each year for students majoring in the natural sciences, computational sciences and economics.

Centre President John Roush said that while the college was "disappointed" with the turn of events, the administration and trustees of the college remain inspired by the possibility of a new program that focuses on leadership and entrepreneurship.

"We will continue to pursue the goal of such a program designed to prepare students as leaders and entrepreneurs," Roush said. "A taskforce of trustees, faculty, staff and students will be assembled to continue this conversation."

LOUISVILLE: HUMANA UTILIZING TELEMEDICINE CENTER TO EXPLORE NEW OPTIONS IN HEALTHCARE DELIVERY

HUMANA has opened a new high-tech telemedicine suite at its downtown Louisville headquarters to explore the feasibility of rolling out the concept to clients who are interested in implementing such an option.

Telemedicine has been touted as a way to improve access to healthcare and is currently used in 34 percent of U.S. health centers. With the assistance of an on-site medical professional, patients who visit a telemedicine center can speak directly with an off-site physician or nurse practitioner who evaluates, diagnoses and treats their medical condition using state-of-the-art audio and video technology.

The new Humana Health & Well-Being Center telemedicine suite was specifically designed for urban professionals whose time limitations may prevent them from going to see a doctor.

For now, however, the center is open only to Humana employees and their covered dependents.

Humana Chief Operating Officer Jim Murray said the company is evaluating the expansion of telemedicine capabilities as part of its integrated care model. **Concentra**, a subsidiary of Humana, markets onsite work health clinics to companies throughout the United States. Currently, there are 250 to 300 of those kinds of clinics, which are staffed with a doctor. Now those companies are expressing an interest in finding ways to make the clinics more accessible to associates at their individual locations rather than requiring them to visit a central clinic location.

"We're in the process of doing pilots like this (telemedicine suite) to try to figure out how to encourage our



Kevin Borowicz, director of product management for Humana subsidiary Concentra, gives a tour of the new telemedicine suite at the Humana Health and Well-being Center at the company's headquarters in downtown Louisville. On the screen is nurse practitioner Diane Moore.

associates first to utilize these kinds of facilities and then take that learning and apply it to the companies," Murray said.

HOPKINSVILLE: PTC SEAMLESS TUBE PLANT WILL CREATE 283 MANUFACTURING JOBS

A leading manufacturer and marketer of steel tubing is investing \$102 million to build a new plant in Hopkinsville that will create 283 new jobs.

PTC Seamless Tube Corp.'s Hopkinsville project represents a shift in the company's operations from producing more traditional mechanical tubular products toward producing seamless steel tubes for the energy industry, such as high-strength tube products used in oil and gas wells and certain other industrial applications.

Another subsidiary of PTC Seamless' parent company, **PTC Group Holdings Corp.**, previously operated a manufacturing facility in Hopkinsville that primarily produced tubular goods for the automotive industry. However, PTC Group Holdings was forced to shift its manufacturing closer to its customer base and consequently decided to close the Hopkinsville facility.

PTC will retrofit and expand its former Hopkinsville facility, which will ultimately include approximately 256,000 s.f. of building area. The project will involve the acquisition of property adjacent to the existing site, re-working the layout of the facility and the installation of manufacturing equipment.



BUSINESS BRIEFS

ASHLAND

■ **Our Lady of Bellefonte Hospital** has teamed with **UK HealthCare** to

create a satellite multi-disciplinary clinic for patients with amyotrophic lateral sclerosis (ALS), also known as Lou Gehrig's disease. UK currently conducts an ALS clinic at its Neuroscience Institute in Lexington, where

patients are evaluated by neurologists and a team that also includes physical, occupational and respiratory therapists, among others. At the new satellite clinic, patients will be evaluated by a similar team of specialists on the OLBH campus. At the end of the appointment, the OLBH and U clinicians will consult on the patient's status via teleconferencing. UK estimates that the satellite center will reach up to 50 patients in the Ashland region who would otherwise not be receiving regular checkups and could serve as a national model for treating complex patients who live far away from a tertiary care ALS center.

■ **AT&T** has announced plans to add another 140 positions at its **East Park Call Center** in Ashland by the end of the year. The company has hired 195 so far this year and the additional 140 jobs will bring the total East Park workforce to 550.



Our Lady of Bellefonte Hospital photo



More than 6,600 team members drive innovation at Toyota by sharing ideas that help produce standard-setting vehicles. But that's just the start. Each day, Toyota's team members contribute to local Kentucky economies where they live, and that's putting them in the driver's seat for a better tomorrow.

DRIVING *Economy*

TOYOTA

LET'S GO PLACES



TOYOTAKY.COM

FAST LANE

BUSINESS BRIEFS

BOWLING GREEN

■ **Western Kentucky University's** Center for Career and Professional Development has launched an executive apprentice program, designed to equip students with the skills, experience and networks necessary to transfer knowledge to a career. Twenty seniors will be accepted into the nine-month program, which will include workshops, practice interviews and business etiquette situations, along with mentoring from professional career coaches.



■ **The Medical Center**, a 337-bed hospital in Bowling Green, has partnered with **Western Kentucky University** to open a new \$15.6 million healthcare facility that will provide space for advanced training for the hospital's medical staff and a dedicated home for WKU's nursing and physical therapy programs. Twenty percent of the space at The Medical

Center-WKU Health Sciences Complex will be used by the hospital for a conference center and bed labs that feature electronic, interactive patient simulators. WKU will utilize the remainder of the new 73,471-s.f. space, which has enabled the university to double the enrollment of its nursing program to 80 students. WKU's new doctor of physical therapy program opened this summer with 30 students.

CADIZ

■ **Kentucky Machine & Engineering** has invested \$1.6 million to add a new CNC floor-boring mill that the company says will allow it to handle larger jobs. KME founder and co-owner Chappel Allen told *The Cadiz Record* that the new machine, which allows for 20 feet of horizontal travel and 18 feet vertical, is the largest CNC computerized machine he knows of between Atlanta and St. Louis and is enabling the company to handle jobs in about 30 percent less time.

CAMPBELLVILLE

■ **Campbellsville University** has a total economic impact of \$101 million in Taylor County, according to a new study recently completed by **Younger and Associates** of Jackson, Tenn. The university supports 1,453 jobs, representing 13.5 percent of all jobs in the county and 15.7 percent of the wages paid to Taylor County residents. The economic impact of the university has grown 75.6 percent over the last decade, with the total dollar figure growing from \$57 million to \$101 million over that period of time. The university has added nearly 200 jobs in the last two years alone.

CRESTVIEW

■ **St. Elizabeth Physicians** has acquired three **Hometown Urgent Care** centers in Northern Kentucky. The three facilities – located in Florence, Hebron and Covington – will join St. Elizabeth's current Express Care center in Highland Heights. St. Elizabeth Physicians plans to open a second Express Care location in Independence this winter and a fourth Urgent Care location will open in Ft. Thomas in early 2014.

DANVILLE

■ The printing of *The (Danville) Advocate-Messenger*, *The (Stanford) Interior Journal* and *The Jessamine Journal* is being moved from Danville to Winchester, where parent company **Advocate Communications Inc.** also publishes *The Winchester Sun*. The move will mean the closure of the Danville press and the elimination of nine full-time jobs and two part-time positions. Publisher Scott Schurz Jr. said it was simply no longer feasible to operate two presses and that the Winchester press is more reliable and offers additional color and quality elements for an improved product.

ELIZABETHTOWN

■ **Structures USA LLC**, a newly formed manufacturing arm for **VSI Sales LLC**, plans to establish a manufacturing operation in Elizabethtown that will create up to 50 jobs over the next few years. The company's primary focus will be the production of steel and aluminum tubular products for use in the transportation, light rail and utility/transmission industries.

OWINGSVILLE: CUSTOM FOODS INVESTING \$44M IN PLANT, WILL CREATE 200 JOBS

CUSTOM Foods Products is investing \$44 million to expand its operations in Owingsville, where it produces processed meats, soups, sauces and tacos for packaged food manufacturers and food service chains in North and Central America.



Custom Foods produces sauces and soups as well as a broad range of other food products for food service chains and food manufacturers across North and Central America.

Custom Foods is a wholly owned subsidiary of **CTI Foods**, an Idaho-based company that operates six other food processing facilities in Idaho, Pennsylvania, California and Texas in addition to its Owingsville plant. The company currently has more than 2,000 employees companywide and plans to add 200 full-time jobs in Owingsville in conjunction with the expansion, bringing its total workforce there to nearly 350.

"CTI has been seeking to expand its central and East Coast manufacturing presence for several years," said CTI President and CEO Bobby Horowitz. "With the acquisition of Custom Food Products last year, our way to the future became clear. As part of our investigation prior to purchasing Custom Food Products, we spent significant time in Owingsville and were very impressed with the attitude, skills and desire of current associates to make the business successful."

STATE: MEMBER-GOVERNED KY HEALTH CO-OP OFFERS NEW INSURANCE MODEL

A new nonprofit health insurance provider has been formed to offer a variety of healthcare plans to individuals and small businesses at a competitive price.

Kentucky Health Cooperative's products will be available on **kynect**, the state's new health insurance marketplace that allows consumers to compare and select insurance plans.

Janie Miller, CEO of the Louisville-based insurance cooperative, said that because Kentucky Health Cooperative is member-governed, its policies and procedures will be flexible and "unusually responsive to its customers' needs."

Miller comes to the position with extensive experience in the insurance industry: She served as commissioner of the Kentucky Department of Insurance from 2000 to 2003.

"Unlike much larger insurance companies, Kentucky Health Cooperative answers to policyholders rather than shareholders," said Miller. "We are directly responsible to our members. Our members will elect the board members of the co-op – the people who direct the staff. Not only that, but if we collect revenues above expenses, that money goes back to our members in the form of better benefits or lower premiums."

In addition, Miller said, the co-op employs its own staff of clinical nurses to conduct assessments of its customers and work directly with them to ensure that they stay as healthy as possible.

The Kentucky Health Cooperative is part of the Consumer Operated and Oriented Plan Program that was established by the federal Affordable Care Act and is one of 24 co-ops that will operate in different states around the nation. The cooperative plans are set to begin paying benefits effective Jan. 1, 2014.

The cooperative currently employs a staff of 35, which is expected to grow to 55 by the end of the year.



LOUISVILLE: JEFFERSON COUNTY SCHOOLS PILOT FORD CAREER TRAINING PROGRAM

JEFFERSON County Public Schools has launched a pilot program in five of its high schools to improve college and career readiness by incorporating the principles of the **Ford Next Generation Learning** initiative.

The Jefferson County Public Education Foundation is leading the development of a five-year master plan as it seeks to become one of 17 school districts in the country to receive the Ford NGL designation. The pilot program will be implemented at Fairdale, Jeffersonton, Pleasure Ridge Park, Southern and Waggener High Schools.

In one of its first efforts, the school system teamed with **Greater Louisville Inc.** and other business and civic partners to launch an externship program for teachers, pairing them with a business leader to shadow routine activities and learn about different companies. Externship teams were placed with **Forest Giant, Norton Healthcare, GE, nth/works, Atlas Machine, Louisville Slugger, Ford, Bisig Impact Group, Business First, WAVE3, the Louisville Metro Police Department** and the **Louisville and Jefferson County Metropolitan Sewer Department**.

Ford NGL districts have a history of success. In the **Metro-politan Nashville Public School District**, for example, the high school graduation rate increased from 69 percent to 83 percent in just four years working with the Ford NGL model.



BUSINESS BRIEFS

FORT KNOX

■ The **U.S. Army Cadet Command Leader Development and Assessment Course (LDAC)** plans to move its operations from the state of Washington to Fort Knox, bringing thousands of cadets and their training cadre to Kentucky for summer training. The Army announced in June it would inactivate the brigade combat team based at Fort Knox, which will remove nearly 10,000 military and dependents from the area. LDAC will bring approximately 7,000 Army ROTC cadets from across the country during summer for their advanced training. The move will also bring approximately 2,500 additional cadre personnel during the summer in support of the training. The move will take place for the summer training of 2014.

HAZARD

■ A partnership between **Appalachian Regional Healthcare, Appalachian Heart Center** and the **UK HealthCare Gill Heart Institute** will create an extension of the Gill Heart Institute in the Eastern Kentucky region. Three AHC cardiologists will join the Gill Institute team and will work out of Hazard, providing advanced cardiovascular treatment options that are not now readily available in the area. In addition, UK HealthCare and ARH have agreed to jointly administer and manage cardiovascular services at **Hazard ARH Regional Medical Center, Harlan ARH Hospital, Whitesburg ARH Hospital, McDowell ARH Hospital, Mary Breckinridge ARH Hospital, and Williamson ARH Hospital**.



HEBRON

■ **Delta Air Lines** has announced plans to launch a direct flight from the Cincinnati/Northern Kentucky International Airport (CVG) to Punta Cana, Dominican Republic. Flights will begin Dec. 21.



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BUSINESS BRIEFS

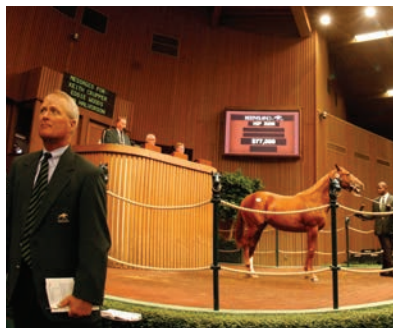
HOPKINSVILLE

■ **HopFed Bancorp Inc.**, the Hopkinsville-based holding company for **Heritage Bank USA Inc.**, has announced that Heritage has reached a mutual agreement with **Sumner Bank & Trust** of Gallatin, Tenn., to terminate their previously announced plans to merge. The termination was the result of Sumner's failure to meet certain performance requirements under the merger agreement.

LEXINGTON

■ The founder and CEO of **21c Museum Hotels** says the opening date for the company's planned hotel in Lexington has been delayed until 2015 due to unforeseen infrastructure problems in renovating the historic site in downtown Lexington on which the hotel will be located. In an interview with the *Lexington Herald-Leader*, Steve Wilson said that while the issues will escalate the estimated cost of the project, the development "is definitely not dead."

■ **Keeneland's September Yearling Sale** concluded on Sept. 21 with strong indicators of a resurgence in the Thoroughbred market. The sale ended with gross sales of \$280.5 million, up 27.6 percent over last year's sale and the highest since 2008. Eighteen yearlings sold for \$1 million or more, also the most since 2008.



Keeneland photo

■ **Thoroughbred Times**, a Lexington-based publication that ended operations last year after declaring Chapter 7 bankruptcy, is being revived as an online site, according to a report by the *Lexington Herald-Leader*. David Bradshaw, a breeder and owner who has purchased the *Thoroughbred Times* copyrights and trademarks as well as the domain name, is spearheading the launch. The website will utilize content gathered from news releases, freelance writers and fans rather than employing a paid staff of writers.



■ **Lexington's Urban County Council** has approved zoning for a new \$92.5 million retail development on the city's south side of town, in what the developers called "the bull's eye of Lexington's thriving retail hub." **The Summit**, which is being developed by Alabama-based **Bayer Properties**, will be located on 50 acres at the corner of Nicholasville Road and Man O'War Boulevard and will encompass 1 million s.f. of residential and commercial space. The site has been the subject of much discussion over the years regarding its best usage and residents living on property adjacent to the site have expressed concern about the additional traffic the development will bring to an already congested area.

■ **Galls LLC**, a Lexington-based company that is one of the nation's leading distributors of public safety uniforms and equipment, has acquired **Roy Tailors Uniform Co. Inc.** for an undisclosed price. Roy Tailors is headquartered in Cincinnati and has been family owned and operated for more than 50 years, during which time it has become a regional leader in the distribution of public safety uniforms and equipment.

■ After selling its campus and facilities earlier this summer to the **University of Kentucky**, the **Lexington Theological Seminary** has announced that its new campus home will be located at the Lexington Green Complex. Board of Trustees Chair Gary Kidwell said the new 16,000-s.f. space, which is located about four miles south of the site the seminary occupied for 63 years, "better meets the current needs of the seminary as we assess our future facility needs, whether that be a free-standing campus space or an existing facility such as this one." In recent years, the seminary has shifted to a model that uses technology to connect students and faculty rather than requiring them to move to the campus.

LOUISVILLE: EBAY ENTERPRISE WILL ADD 150 JOBS AS PART OF \$45M EXPANSION

E**Bay Enterprise**, an eBay Inc. company formerly known as **GSI Commerce**, is investing up to \$45 million to expand its operations in Louisville and plans to add more than 150 full-time jobs as part of the expansion.

The project involves construction that will join two newly purchased buildings for a total of 270,000 s.f. The buildings sit on 17 recently acquired acres near the company's existing facility in the Jefferson Riverport, where it currently operates out of a 500,000-s.f. space with some 500 employees.

Founded in 1995, eBay Inc. has grown to become the world's largest online marketplace. In 2011, eBay acquired GSI Commerce, which specialized in order fulfillment for other companies. Now operating as eBay Enterprises, the Louisville operation specializes in creating, developing and running online shopping sites for brands and retailers, including brick-and-mortar businesses.

"We have always considered the Louisville community a critical strategic partner for our success," said Tobias Hartmann, head of eBay Enterprise's omnichannel operations. "This is where we opened our first fulfillment center in 2000."

In addition to its operations in the Jefferson Riverport, the company also has fulfillment centers in Shepherdsville and Walton, Ky.

EASTERN KENTUCKY: 3 JAMES RIVER COAL SITES IDLED, 525 WORKERS AFFECTED

J**AMES River Coal Co.** has idled coal production at three of its Kentucky operations, resulting in approximately 525 full-time employees being furloughed.

Locations affected by the furloughs include the **McCoy Elkhorn** mines and prep plants in Pike County, the **Bledsoe** coal mines and prep plants in Leslie and Harlan counties, and the **Long Branch** surface mine in Johnson County.

The Virginia-based company, which is one of the leading coal producers in central Appalachia, cited "continued weakness in the domestic and international coal markets" and said the anticipated date to restart operations is unknown and would be subject to the coal market.

James River Coal photo



James River Coal Co. is one of the leading coal producers in central Appalachia and the Illinois Basin.

LOUISVILLE: KENTUCKYONE HEALTH TO LAUNCH 24/7 VIRTUAL URGENT CARE

K**ENTUCKYONE Health** is preparing to launch a new service that will enable Kentuckians to receive urgent care treatment without leaving home by consulting with a medical professional over the phone or by web camera.

The new service will be available 24 hours a day, seven days a week.

KentuckyOne, the largest health system in the state, is among the first hospital systems in the country to make such a service available to the public.

KentuckyOne Anywhere Care will cost \$35 per visit and is paid by patients, whether or not they are covered by insurance. The cost is less than typical urgent care and a fraction of the cost of a normal emergency-room visit.



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BUSINESS BRIEFS

LOUISVILLE

■ The **Stites & Harbison** law firm has committed \$2 million toward the construction and support of the **University of Louisville's** Academic Center of Excellence, a \$14 million facility that will house the academic operations for the university's athletic department. The center will provide a tutoring program, computer labs and classroom space where students can obtain additional instruction and guidance.

■ The **Louisville-Jefferson County Metro Government** has granted a one-year extension on its agreement with **The Cordish Co.**, which is working on a \$245 million mixed-used project in downtown Louisville. The Baltimore-based company, which also developed Louisville's **Fourth Street Live** entertainment district, plans to build a 600-room convention hotel, 200 apartments and 55,000 s.f. of retail space, including a grocery store. Cordish initially announced its plans for the **City Center** project in 2008, but the project stalled in the midst of the economic recession. The city is continuing to work with Cordish to complete financing for the project that would allow construction to get underway.

■ **Clariant Corp.**, a subsidiary of Switzerland-based Clariant International, is expanding its operations in Louisville, where the company produces industrial catalysts used in the chemical and petrochemical industries. Clariant currently employs more than 380 people at three facilities in Louisville and plans to build a new \$65 million manufacturing facility that will add another 34 jobs. The expansion is tied to a new partnership Clariant has formed with polypropylene technology licensor **Lummus Novolen Technology** to develop improved polypropylene catalyst and donor technologies. The new plant is expected to be operational in 2015.

■ Louisville-based **Republic Bank** has expanded its presence in Tennessee with the opening of two new locations in the Nashville area. Republic entered the Tennessee market in January 2012 with its acquisition of **Tennessee Commerce Bank** in Franklin.



■ **Alleghany Capital Corp.** has acquired an interest in Louisville-based **R.C. Tway Co.**, the parent company of **Kentucky Trailer**. Tway President and CEO Gary A. Smith said the partnership will enable Kentucky Trailer, a manufacturer of customer trailers and truck bodies for the moving and storage industry, to accelerate planned growth initiatives. Alleghany Capital Corp. engages in strategic investments and acquisitions.

■ **NHK Spring Precision of America Inc.** has completed a \$19 million expansion of its facility in Louisville. The expansion added a 57,000-s.f. facility to the existing 93,000-s.f. plant, where the company produces low-cost, high-precision compression and tension springs for automobiles, industrial machinery and hard-disk drives. The company is adding 50 full-time jobs as part of the expansion project, bringing its total workforce to 120.

■ **Lubrizol Advanced Materials Inc.** is investing \$108 million to expand its operations in Louisville, where it makes chlorinated polyvinyl chloride products for pipes and fittings. The expansion will include the construction of a new chlorinated polyvinyl chloride resin and compounding facility at the company's current Bells Lane location, which currently employs about 140 people. The expansion will create 25 new jobs.

MIDWAY

■ An 18 percent drop in enrollment this fall has resulted in faculty layoffs at **Midway College**. The layoffs affected approximately a dozen of the college's 54-member faculty. Sixteen staff positions were eliminated prior to the start of the academic year in an effort to "resize" staffing for the best fit. The college's board of trustees has also authorized suspending the employee retirement match for the remainder of the academic year in order to help balance the budget.

SHELBYVILLE

■ **Tegrant Diversified Brands Inc.**, a company that produces foam-based and safety products for the automotive industry, has announced plans to open a manufacturing plant in Shelbyville that will create 51 full-time jobs. Tegrant is owned by **Sonoco Products Co.**, a global company that produces a broad range of packaging products and packaging supply chain services. Sonoco has more than 19,600 employees in 34 countries, including 250 at plants in Louisville, Winchester, Morganfield and Henderson.

LEXINGTON: EASTERN STATE HOSPITAL UNVEILS NEW \$129 MILLION FACILITY

AN official ribbon-cutting ceremony was held last month to celebrate the opening of the new \$129 million **Eastern State Hospital** facility at UK's Coldstream Research Campus.

The 239-bed, 300,000-s.f. facility replaces a 185-year-old structure – the second-oldest psychiatric hospital in the country – and provides a modern setting for inpatient psychiatric treatment, along with

specialized services for individuals with acquired brain injuries and individuals with psychiatric disabilities requiring nursing facility level of care and forensic mental health services.

In addition to the inpatient hospital, the new Eastern State Hospital campus will include three 11,000-s.f. personal care homes, each with 16 beds, which offer a less restrictive level of care that promotes patients' return to a community setting.

The state-owned hospital will be managed and operated by **UK HealthCare** through an agreement with the **Cabinet for Health and Family Services**. The arrangement allows UK to provide its expertise in research and clinical therapies to modernize treatment options while also training the next generation of behavioral health providers.



Construction of the new Eastern State Hospital was part of an agreement between UK, Bluegrass Community and Technical College, the state and the city of Lexington. Under the agreement, Eastern State moves from its existing campus to the Coldstream Research Campus; BCTC moves from UK's campus to the old Eastern State location; and UK takes over BCTC's location at the edge of UK's campus, which provides the university with additional parking.

RADCLIFF: WORK BEGINS ON STATE'S 4TH VETERANS HOME, OPENING SET FOR '15

Kentucky Department of Veterans Affairs photo



Gov. Steve Beshear joined a group of active-duty soldiers along with local officials, community leaders and military veterans on Sept. 18 for a groundbreaking ceremony at the site of a new veterans nursing home in Radcliff. The Radcliff Veterans Center will feature four neighborhoods of three 10-bedroom homes. The design will provide 120 veterans with a private room and bath along with a family-style living room, dining room, kitchen and patio. A separate administration building will house recreation, therapy and other services. The center will be Kentucky's fourth state veterans home and is scheduled to open in June 2015. It will employ a staff of 170.

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FAST LANE

BUSINESS BRIEFS

SOMERSET

■ The **City of Somerset** is moving forward with plans to construct an \$8.5 million energy center designed to monitor the city's extensive natural gas pipeline network. A pipeline already connects with a **Texas Eastern Transmission Corp.** terminal, which also has a connection with **Tennessee Gas Transmission Corp.**, and the city's future plans include reconnecting with **Columbia Gulf Transmission**, which would provide access to three national gas transmission distribution systems. In addition to housing the energy center, the 36,200-s.f., four-story facility will also serve as home to city hall offices and an emergency command center with police department space. According to *The (Somerset) Commonwealth Journal*, Somerset has been approved for an \$8.5 million loan through the **United States Department of Agriculture's** Community Facilities Program.

U.S. Census Bureau photo



STATE

■ The **Kentucky Cabinet for Health and Family Services** has signed contracts with **Anthem, Humana and Passport** to provide healthcare services to more than 300,000 Kentuckians who will be newly eligible for coverage under the expansion of Medicaid. The three providers join **Coventry** and **WellCare**, which are currently serving the area. Beginning in July 2014, the 540,000

who are current Medicaid recipients will also be able to choose Anthem, Humana or Passport as their managed care company or may choose to stay with Coventry or WellCare.

ANDERSON COUNTY: WILD TURKEY BRINGS PRODUCTION BACK TO LAWRENCEBURG

WILD Turkey has opened a new 145,000-s.f. packaging facility at its distillery in Lawrenceburg that will enable the company to have full control of its entire production, from distilling to aging and bottling.

"After a seven-year absence, we are pleased to bring packaging capabilities back to the Wild Turkey Distillery for two of **Gruppo Campari's** biggest and fastest growing brands," said Bob Kunze-Concewitz, CEO of Gruppo Campari. "By owning the full production process for all of our Wild Turkey brands, we can be more nimble in meeting the growing worldwide demand for not only Wild Turkey, but also **SKYY Vodka.**"

Since purchasing the Wild Turkey brand in 2009, Gruppo Campari has made significant financial commitments to the distillery's operations, surpassing more than \$100 million in investments. In 2011, the company unveiled a \$50 million expansion at the distillery, more than doubling the plant's production capabilities. This was coupled with the opening of multiple new barrel warehouses over the past several years. In 2014, Wild Turkey will open a new state-of-the-art visitor center.

The \$43 million expansion will create 62 new jobs.



TJ Health Pavilion
Glasgow, Ky



Mary Todd Elementary School
Lexington, Ky

Southern Kentucky Performing Arts Center
Bowling Green, Ky



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INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

INDIANA: IU HEALTH TO CUT 800 JOBS IN FACE OF DECLINING REIMBURSEMENTS



INDIANA University Health informed its staff last month that some 800 jobs will be eliminated by Dec. 1 as part of an effort to reduce expenditures by 25 percent – roughly \$1 billion.

In an email sent to IU Health staff members, IU Health President and CEO Dan Evans said, “We adopted this goal because we fully expect that the future reimbursement environment, from all payers, will look much like **Medicare** does today. In addition, we believe that managing the health of populations – helping to keep Hoosiers healthy rather than caring for them only when they are ill – is how we will increasingly be reimbursed by public and private payers in the future. To manage ‘population health’ well, we will need to significantly invest in new technologies and processes – and we will need to do so in the face of worsening reimbursements.”

The job cuts will affect staff members at seven IU Health hospitals, which have a total of approximately 36,000 employees. In an attempt to minimize the impact, IU Health is offering an early retirement option to certain eligible staff members. According to a report by the *Indiana Business Journal*, the layoffs will affect both clinical and administrative staff members.

Earlier this summer, Indianapolis-based **St. Vincent Health** laid off 865 employees as part of a decision by parent company **Ascension Health Alliance** to eliminate 5,000 workers.

TENNESSEE: NISSAN SUPPLIER EXPANDS 3 PLANTS, CREATING 1,200 NEW JOBS

CALSONIC Kansei North America Inc., one of **Nissan**’s major suppliers, has announced plans to expand three of its Tennessee plants, creating 1,200 new manufacturing jobs.

The company is investing \$49.8 million at its Lewisburg, Tenn., facility, where it produces electronic components for meters, inverters and dash electronics and plastics components for interiors. Approximately 526 new jobs will be created over the next three years, in addition to the 1,117 people already employed there. The investment will also include the construction of a new 300,000-s.f. warehouse facility.

CKNA is investing another \$57.6 million at its Shelbyville, Tenn., plant, which manufactures exhaust units, catalytic converters and manifolds. The company currently employs a workforce of 1,010 at the Shelbyville location and plans to add another 489 new jobs.

The company is investing \$2.1 million at its Smyrna, Tenn., facility, which is located within the Nissan plant and places Calsonic products into the Nissan vehicles. The expansion will add 183 new jobs to the existing 469-member staff.

The expansions are expected to be complete by the end of 2015.

BUSINESS BRIEFS

INDIANA

■ **Knowledge Services**, a professional services and information technology consulting firm, has announced plans to expand its Indianapolis headquarters and add up to 400 new jobs by 2018. The company provides services to help businesses and government bodies manage contingent labor, including cost tracking and 1099 services. The expansion will be the company’s second in two years: In 2011, the company announced plans for a \$1.9 million expansion that would add 200 jobs by 2015, and has already exceeded that figure.

■ **GE Appliances** is eliminating nearly a third of its workforce in Bloomington, Ind., by the end of October, citing a decreased demand for the side-by-side refrigerators the plant produces. According to *The (Bloomington) Herald-Times*, the cuts will reduce the Bloomington staff from 522 to approximately 364.

■ **American Specialty Health Inc.** is moving the company’s headquarters from San Diego to Carmel, Ind., creating up to 675 new jobs by 2016. Launched in California more than 25 years ago, ASH provides specialty healthcare management and fitness/exercise programs for health plans, insurance carriers and employer groups. The company said that in addition to providing a central location for its headquarters, Indiana provided a strong business climate with lower costs, as well as a high quality of life for its employees.



OHIO

■ *Crain’s Cleveland Business* reports that **Bank of America** is laying off more than 1,000 Ohio employees who work in home loan fulfillment and consumer banking services. The bank said the decision to close two Cleveland-area locations and another in Cincinnati was tied to the recent decline in mortgage refinancing.

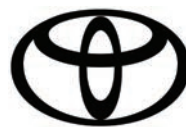
TENNESSEE

■ **Alcoa** has broken ground on a \$275 million expansion of its Alcoa, Tenn., plant that will help meet the growing aluminum demand by auto producers. According to figures released by Alcoa, orders for aluminum – which is already the No. 2 material used to build cars – are expected to nearly double by 2025. The expansion will create 200 full-time jobs.



■ Global banking giant **UBS** is investing \$36.5 million to establish a shared services center in Nashville that will create 1,000 new jobs over the next five years. The business solutions center in Nashville is part of the Switzerland-based company’s plan to create regional hubs around the world to support its wealth management, investment banking and asset management businesses.

WEST VIRGINIA



■ **Toyota Motor Manufacturing of West Virginia** is investing \$90 million to expand its plant in Buffalo, W.Va. The expansion will increase assembly and machining of Toyota’s six-speed automatic transmission by 20,000 per month by early 2015. Toyota currently employs a workforce of 1,300 at the Buffalo plant and plans to add another 80 jobs to support the expansion.

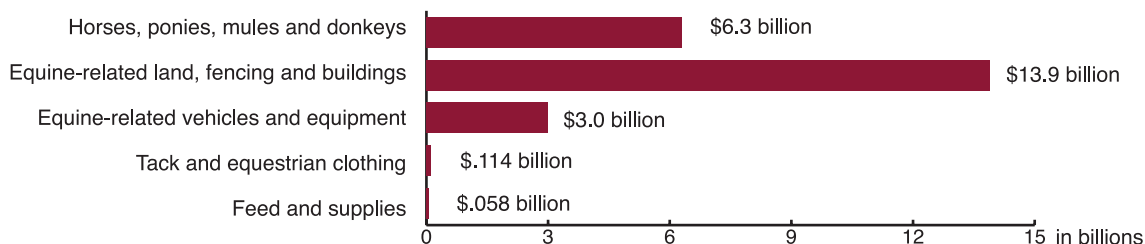
■ **Patriot Coal Corp.** plans to idle its Logan County complex near Man, W. Va., in an effort to align its production with expected sales. The decision will affect approximately 250 workers. The company said about 50 of those workers will likely be offered jobs at other Patriot locations.

HORSE CENTS

State's equine industry valued at \$23.4 billion

Kentucky has long been known as the Horse Capital of the World, but for the first time in decades, a large-scale, comprehensive survey has been conducted that puts into numbers what the equine industry looks like in Kentucky and what it means to the economy of the commonwealth.

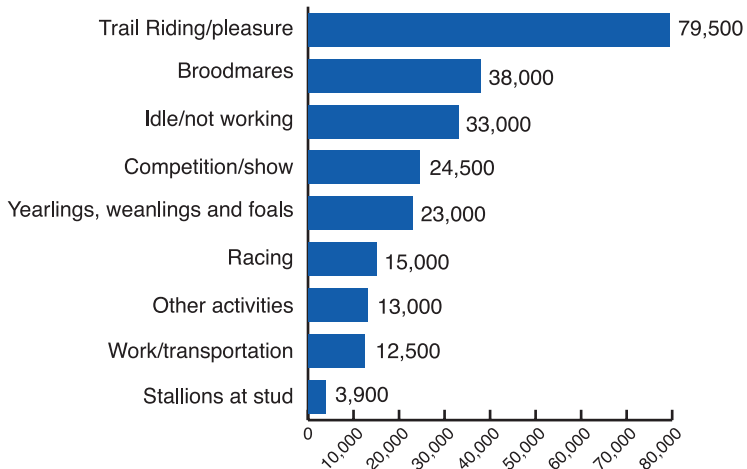
VALUE OF EQUINE AND EQUINE-RELATED ASSETS (AS OF JULY 1, 2012)



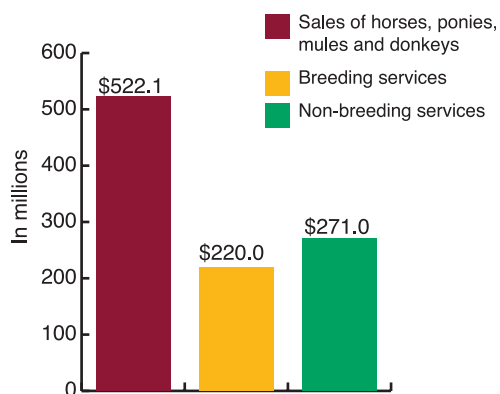
OPERATING EXPENDITURES (2011)

Category	Expenses (\$)	% Spent in Kentucky
Maintenance/repair	149,000,000	73%
Feed	123,000,000	85%
Breeding fees	85,000,000	77%
Health	71,000,000	82%
Training fees	69,000,000	60%
Boarding fees paid to others	48,000,000	80%
Insurance premiums	41,000,000	77%
Utilities/fuel	38,000,000	86%
Farrier	34,000,000	85%
Taxes	34,000,000	78%
Shipping and travel	34,000,000	70%
Supplies	27,000,000	81%
Miscellaneous	26,000,000	79%
Fees and payments	25,000,000	69%
Bedding	21,000,000	85%
Rent/lease	14,000,000	88%
Total operating expenditures	839,000,000	77%

PRIMARY USE OF KENTUCKY'S EQUINES



EQUINE OPERATION REVENUES AND EXPENSES (2011)



Source: 2012 Kentucky Equine Survey



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CORPORATE MOVES

New leadership for Kentucky businesses

ADVERTISING

■ **Nick Ising** has been named president of Louisville advertising agency Current360. Ising succeeds **Rick Schardein**, who retains the title of chairman and chief executive officer. **Dennis Bonifer**, **Allison Gibson** and **Kati Parrish** have been named vice presidents of the agency.

BANKING

■ **Freddy Carr** has been named executive vice president and chief retail officer of First Security Bank in Owensboro.



Freddy Carr

ECONOMIC DEVELOPMENT

■ **Casey Barach** has been promoted to senior vice president of entrepreneurship for the Northern Kentucky Tri-County Economic Development Corp.

EDUCATION

■ **Matt Roan** has been named special assistant to the president of Eastern Kentucky University.



Matt Roan

■ **Karen Wagers** has been named chief financial officer at Lexington Theological Seminary.

■ **William B. (Butch) Drake Jr.** has been named senior vice president at Mid-Continent University.



William (Butch) Drake

■ **Kim Harp** as joined Thomas More College as director of communications and public relations.

FINANCE

■ **Abby Vaughn** has joined UBS Financial Services Inc. as vice president of wealth management.

■ **Hilliard Lyons** has announced the following appointments: **Angie Krill** – vice president, trust operations manager; **Leslie Coyle** – senior vice president/ managing director; **Angela Purcell** – vice president/marketing and client service manager; **Daron Van Vactor** – vice president/portfolio manager; **Eva Shiley** – vice president/associate director trust services; **Amy Wheeler** – vice president/estate settlement officer; and **R. Jonathan Raymon** – vice president/trust specialist.

FOOD/SPIRITS/HOSPITALITY

■ **Ellen McGeeney** has been named president and chief operating officer of Winchester-based Ale-8-One Bottling Co.



Ellen McGeeney

■ **David Danielson** has been named as the new executive chef at Churchill Downs.



David Danielson

GOVERNMENT

■ **Jeff Mosley** has been named director of economic development for Louisville Metro Government. **Emily Liu** has been named as the permanent director of planning and design services after serving as interim director following the retirement of **Phil Bills** earlier this year.

■ **Aldona K. Valicenti** has been named chief information officer for the Lexington-Fayette County Urban County Government.

HEALTHCARE

■ **Michael A. Baumgartner** has been named president of Baptist Health Madisonville.



Michael Baumgartner

■ **Jessica Green** has been promoted to vice president of finance for MES Medical Group in Lexington.

■ **Dr. Damian “Pat” Alagia III** has joined Louisville-based KentuckyOne Health Inc. as chief physician executive and chief medical officer.

■ **William A. Brown** has been named Baptist Health west regional executive and president of Baptist Health Paducah. Brown succeeds **Larry Barton**, who has retired.



William Brown

■ **Donna Ghobadi** has been promoted to assistant vice president for managed care and revenue cycle for Baptist Health.

■ **Stephanie P. Herron** has been named president and chief executive officer of the Markey Cancer Foundation.

■ **Dr. William Mills** has joined Louisville-based Kindred Healthcare Inc. as vice president, medical affairs for the company's care management division and chief medical officer for Kindred at Home, the company's home health and hospice division.

■ **Timothy Jahn** has been named chief clinical officer for Louisville-based Baptist Health (formerly Baptist Healthcare System).

MEDIA

■ **Neil Budde** has been named executive editor of *The (Louisville) Courier-Journal*. He succeeds **Bennie Ivory**, who retired in July.

PHARMACEUTICALS

■ **Pamela Savoy** has joined Lexington-based Coldstream Laboratories Inc. as director of business development.

PUBLIC RELATIONS/MARKETING

■ **Will Carle** has joined Louisville-based RunSwitch Public Relations as vice president.

UTILITIES

■ **Scott Ramsey** has been named CEO of Warren Rural Electric Cooperative Corp.



John Y. Brown III
Owner

Laura Emberton Owens
Senior Partner

Virginia B. Gray
Member

Paris E. Hopkins
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NEW VISION

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Government Relations and Public Affairs

ON THE BOARDS

Kentuckians named to organizational leadership roles

BLUEGRASS BANKERS ASSOCIATION

■ The Bluegrass Bankers Association, an organization of 50 community banks, has elected its officers for the forthcoming year: President – **Paul Goodpaster**, Morehead; Vice President – **Mark Wolford**, Liberty; Treasurer – **John Manning**, Bedford; and Secretary – **C. K. Stacy**, West Liberty.

GOLDEN KEY INTERNATIONAL HONOUR SOCIETY

■ **Ami Carter**, coordinator for academic advising and retention for the Honors College at Western Kentucky University, has been elected vice president of the Golden Key International Honour Society's International Leadership Council. The Golden Key Society is a global collegiate honor society established to recognize college students for academic excellence.

KEENELAND

■ The following individuals have been named to Keeneland's advisory board of directors: **Ian Banwell**, owner of St. George Farm, Lexington; **Luther Deaton Jr.**, chairman, president and chief executive officer of Central Bank & Trust Co., Lexington; **Pope McLean Jr.**, co-owner and business manager of Crestwood Farm, Lexington; **Daisy Phipps Pulito**, part owner and racing manager of Phipps Stable; and **Bill Shively**, owner of Dixiana Farm, Lexington.

KENTUCKY BOARD OF DENTISTRY

■ **Byron Owens**, a Somerset dentist, has been appointed to the Kentucky Board of Dentistry.

KENTUCKY BOARD OF NURSING

■ **Mary Bennett** and **John P. Nordgauer** have been appointed to the Kentucky Board of Nursing. Bennett, of Bowling Green, is director of Western Kentucky University's School of Nursing. Nordgauer, of Louisville, is a licensed practical nurse at Kindred Hospital.



Mary Bennett

KENTUCKY CENTER FOR THE PERFORMING ARTS

■ The following individuals have been elected to the Kentucky Center for the Performing Arts Endowment Board: **Maggie Conner Faurest** – account executive, Google; **Phillip C. Eschels** – partner, Bingham Greenebaum Doll; **Jeffrey Kosse** – chief financial officer, Fifth Third Bank; **Philip J. Lynch** – vice president/director of corporate communications and public relations, Brown-Forman Corp.; **Bob Marino** – chief executive officer, Café Press; **Barry Meyers** – partner, Advantage Investment Management; **Doug Owen** – co-managing member, Cassidy Turley Harry K. Moore; **Diane Tobin** – former associate professor and dean, Spalding University.

KENTUCKY HERITAGE COUNCIL

■ **Linda A. Carroll** and **Judi Patton** have been appointed to the Kentucky Heritage Council. Carroll, of Lexington, is vice president at Morgan Worldwide. Patton, of Pikeville, is the former first lady of Kentucky. **Stephen L. Collins** and **Helen W. Dedman** have been named chair and vice chair, respectively, of the council. Collins, of Shelbyville, is an attorney and also serves as funeral director at Hall-Taylor Funeral Home.

Dedman, of Harrodsburg, is an innkeeper at Beaumont Inn.

KENTUCKY HORSE PARK COMMISSION

■ **John R. Long** and **Jane Kay Winegardner** have been named to serve on the Kentucky Horse Park Commission. Long, of Lexington, is chief executive officer of the United States Equestrian Federation. Winegardner, of Lexington, is a retired real estate agent.

KENTUCKY STATE BOARD OF MEDICAL LICENSURE

■ **Heidi M. Koenig** and **Patrick R. Hughes** have been appointed to the State Board of Medical Licensure. Koenig, of Louisville, is an anesthesiologist at the University of Louisville. Hughes, of Edgewood, is an attorney at Dressman Benzing LaVelle PSC.

KENTUCKY TOURISM DEVELOPMENT FINANCE AUTHORITY

■ **Eric W. Summe** and **Jenny L. Gibson** have been appointed to the Kentucky Tourism Development Finance Authority. Summe, of Covington, is president and chief executive officer of the Northern Kentucky Convention and Visitors Bureau. Gibson, of Madisonville, is the owner of Madisonville Bed and Breakfast. **Keith J. Williams**, a purchasing agent at Bowling Green Municipal Utilities, has been appointed as chair of the authority.

OLD FRIENDS THOROUGHBRED RETIREMENT CENTER

■ **Dr. Steven Allday** has joined the board of directors of Old Friends, a Thoroughbred retirement center in Georgetown.

PASSPORT HEALTH PLAN

■ **Henry "Sonny" Altman Jr.** has been named chairman of the board for Passport Health Plan, a nonprofit Medicaid health plan based in Louisville. Altman succeeds **William B. Wagner**, who will remain on the board representing the Louisville Primary Care Association. **Venkat Sharma**, founder of iMedX Inc., a national healthcare information technology company, has been elected as vice chair. **Allan Tasman**, professor and chair of psychiatry and the Schwab endowed chair in social, community and family psychiatry at the University of Louisville, has been elected as treasurer.



Sonny Altman



William Wagner



Venkat Sharma



Allan Tasman

SAINT JOSEPH LONDON FOUNDATION

■ The following individuals have been appointed to the 2013-2014 executive committee and board of the Saint Joseph London Foundation: Chair –

Wayne Sturgeon, Baldwin CPAs PLLC; Vice Chair – **Libby Farmer**, community volunteer; Treasurer – **Christy Spitzer**, Saint Joseph London. New board members include: **Shannon Adams**, Kentucky Board of Pharmacy; **Mike Fiechter**, Edward Jones Investments; **Greg D. Gerard**, Saint Joseph London; and **Scott Webster**, Messer, Sizemore & Webster.

SAINT JOSEPH MOUNT STERLING FOUNDATION

■ The Saint Joseph Mount Sterling Foundation has announced new appointments to its 2013-2014 executive committee and board of directors: Chair – **Omar Prewitt**, Caswell Prewitt Realty; Vice Chair – **Granetta Blevins**, Georgetown College; Treasurer – **Amanda Kinman**, Saint Joseph Mount Sterling. New board members include: **Melodie Fuller**, Montgomery County Schools, and **Joel Godby**, Traditional Bank.

SCOLIOSIS RESEARCH SOCIETY

■ **Steven D. Glassman** has been named as the new president of the Scoliosis Research Society, an international organization that is dedicated to education, research and treatment of people with spinal deformities. Glassman is an orthopedic spine surgeon with Norton Leatherman Spine Center in Louisville.

SOUTHERN LEGISLATIVE CONFERENCE AGRICULTURE COMMITTEE

■ Kentucky State Representative **Tom McKee** (D-Cynthiana) has been elected vice chairman of the Southern Legislative Conference Agriculture and Rural Development Committee. The SLC's mission is to foster and encourage inter-governmental cooperation among its 15-member states. McKee chairs the Kentucky House Agriculture and Small Business Committee.

WESTERN KENTUCKY UNIVERSITY

■ **Gillard "Gil" B. Johnson III** has been appointed to the Western Kentucky University board of regents. Johnson heads the Lexington office of McNair Law Firm P.A.



Gil Johnson

LEADERSHIP LOUISVILLE CENTER

■ Leadership Louisville Center has announced its 2013-2014 board of directors: Chair – **Todd Spencer**, Doe-Anderson; Chair-Elect – **Jeff Bringardner**, Humana Inc.; Vice Chair – **Kevin Wardell**, Norton Healthcare; Vice Chair – **Tanja Oquendo**, KentuckyOne Health; Secretary/Treasurer – **Jennifer Hughes**, Deming, Malone, Livesay & Ostroff; Immediate Past Chair – **Bill Hollander**, Wyatt, Tarrant & Combs LLP; Counsel – **John Reed**, Reed Weitkamp Schell & Vice PLLC. Newly elected board members include: **Malcolm Berkley**, UPS Airlines; **Carolyn Callahan**, University of Louisville College of Business; **Tom Partridge**, Fifth Third Bank; **Tom Quick**, GE Appliances; **Tierra Kavanaugh Turner**, TKT & Associates Inc. and **Mary Ellen Wiederwohl**, Louisville Metro Government. New ex-officio directors include **Craig Richard**, Greater Louisville Inc.; **Rebecca Weis**, Young Professionals Association of Louisville; and **Chrissy Evans**, Junior League of Louisville.

LANE ONE-ON-ONE

Kentucky's leaders express their opinions



Bill Thomason

Bill Thomason was named in 2012 as the seventh president and CEO of Keeneland. Thomason joined the famed racetrack in 2010 as vice president and chief financial officer, bringing with him a long history of working on the financial side of the equine industry. After graduating from the University of Kentucky with a bachelor's degree in accounting and a master's of business administration, he worked for the accounting firm of Alexander Grant & Co. for two years before joining Mill Ridge Farm, where he worked for 28 years as financial and administrative manager. In addition to his role at Keeneland, Thomason is a board member of numerous Thoroughbred associations, the Kentucky Chamber of Commerce and the local chapter of the American Heart Association, and has served as chairman of the Greater Lexington Chamber of Commerce, chairman of the Lexington Arts and Cultural Council and chairman of the board at First United Methodist Church in Lexington.

'EVERY SINGLE PERSON I TALKED TO AT THE SALE WAS HAPPY'

President Bill Thomason says Keeneland Association's goal is a globally strong Thoroughbred industry

BY ED LANE

Ed Lane: You just celebrated your first year anniversary as the president and CEO of Keeneland Association, Inc. Prior to being appointed CEO, you had three decades of experience in the Thoroughbred industry, including being the CFO of Keeneland for two years. During your first year as CEO, what was the toughest business issue you had to address, and was it a surprise or anticipated?

Bill Thomason: Because I was Keeneland's CFO for the previous two years, I've been fortunate to have had only good financial surprises this year. Over my 30-year career, I've been through a number of tough economic cycles. So, I have managed the downsides and also had the good fortune over the years to manage in this industry during the upturns. The upturns are a lot more fun.

EL: Is this recession different from the prior ones you have experienced?

BT: This time, since 2009, the worldwide economic collapse has had a major impact on every business. No matter where you were, everybody was affected. In the past, our Thoroughbred industry has been shielded; when the U.S. economy was in recession, other places in the world involved in the horse business were still doing well. This recession was worldwide,

so all parts of the world equine market had adjustments to make.

EL: Would you say that the recent recession in the horse industry is the worst in your entire career?

BT: It's the worst in my career, and it's the most prolonged. And that's probably the difference. The global financial collapse and its impact has been long-reaching, and equine markets have been very slow to recover.

EL: The Keeneland Thoroughbred Yearling Sale that ended on Sept. 21 achieved sales of \$280.5 million, an increase of \$60.8 million (27.6 percent more than last year's sales total). What, in your opinion, were some of the key factors that helped boost the sales results?

BT: It's the highest sales level Keeneland has experienced since 2008, before the economic collapse. You can't achieve improvement like that and just attribute it to one area. Keeneland has been working diligently around the world for a long time to make sure potential clients knew about the Kentucky market and the global success of American-bred horses. Keeneland continued, through the extended economic downturn, to market and promote its services and the equine industry in Kentucky and the United States.

During the recession, there's also been a significant adjustment in the number of foals born as breeders have taken unproductive broodmares out of production. The size of our foal crop is now 38 percent less than what they were at their peak. All the market factors converged this year. This is a great lesson in supply and demand. There are fewer horses and more people who want to buy them. These conditions made for an incredibly good market. Every single person I talked to at the sale was happy. The median sales price was the highest ever in the history of the auction. Sale proceeds were paid to a lot of different breeders and owners. The entire market benefited from what we just experienced in September.

EL: How important is Keeneland's September Yearling Sale?

BT: The September sale is obviously the most important for the breeding industry and for the market. It sets the value of the Thoroughbred horse around the world. Keeneland uses commission revenues from the sales side to invest in its operations. One area is Keeneland's racing program. A portion of the purse structure that Keeneland is able to offer our horsemen at the race meet is supported by our sales. Keeneland is also investing in fan development initiatives that are ongoing during the October race meet. We're always working to find new fans and recruit new people into the business. Keeneland also uses its funds to find innovative ways to continue to promote Thoroughbred racing, to provide for the safety of our athletes – human and equine – and to invest in our facility so we can provide the modern conveniences our fans expect Keeneland to offer.

EL: Why is Keeneland a for-profit corporation?

BT: Keeneland was formed originally as a nonprofit organization, and from day one it has been a non-dividend-paying corporation. Back in the '40s, the IRS decided that a gambling institution didn't quite fit the mold of being a not-for-profit; so Keeneland Association became a regular C corporation. It pays income taxes just like every other corporation in Kentucky does. And it pays lots of taxes – local, state and federal.

The difference is Keeneland has a not-for-profit mission. Its shares are held in trust. One of Keeneland's founding principles was that no person who ever owned a share of stock would receive a dividend. So, after taxes, every penny stays inside the company, and those funds are to be used for the industry, our community and the upkeep of our facility. If at any point

Keeneland is ever sold, those proceeds would be distributed to charity. Keeneland has a unique business model.

EL: If an individual was interested in buying a Thoroughbred, what are some of the best resources to investigate before making an equine investment?

BT: The first thing I would tell a potential investor is to go to a new website: OwnerView.com. The site has been promoted and developed by the Thoroughbred Owners and Breeders Association, in cooperation with The Jockey Club. OwnerView.com provides a really good overview of what investors need to consider in horse ownership. It provides advice about finding professionals and doing your homework.

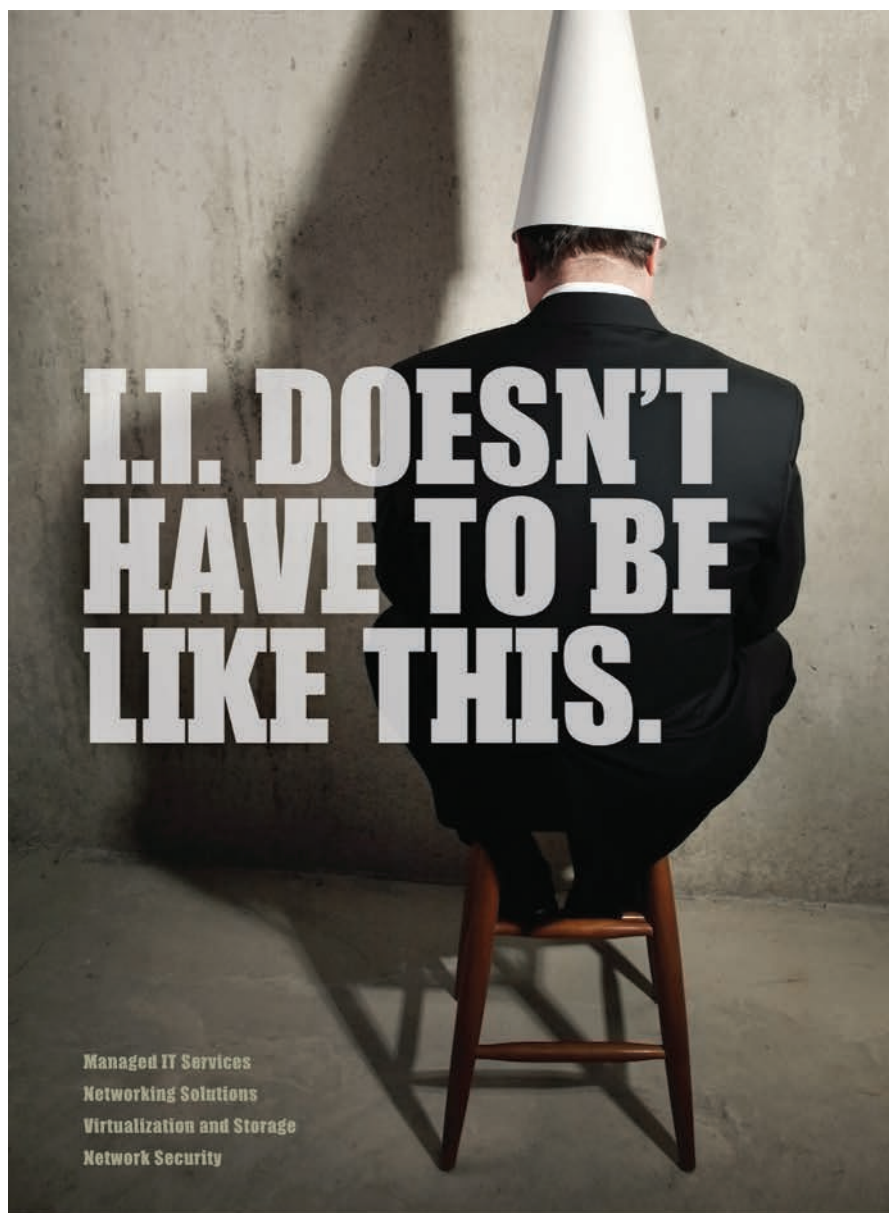
Whatever the level of investment, investors are only going to be as good as their advisers and the people who are helping teach them the business. You've got to find the right people to help select and buy a horse. Or are you going to want to get involved with a racing partnership? Investors can get involved at the price and scale they can afford. It's a business in which investors need to be very careful with their investment and the people with whom they are working and trust. Investors in horses need to be involved at a financial level they can comfortably afford to lose. There's a lot of risk involved.

EL: Does Kentucky law require a written employment or listing agreement that stipulates the fees for services provided, as well as full disclosure for whom the agent is a fiduciary?

BT: The statute enacted by the Kentucky General Assembly covers disclosures an agent is required to make for any dual-agency relationships. If you look in the front of the Keeneland catalog, there is a code of conduct and what's expected of an agent. It deals not only with acknowledgement of the dual-agency regulations, but it also outlines what questions owners should ask their agents. Our industry is going to see a much better informed generation of horse owners.

EL: Nick Nicholson, the CEO who preceded you, retired. How frequently do you discuss current operational issues and future planning?

BT: When Nick retired, one of his goals was to make the management change a model for how transitions should take place. I was fortunate to have been here for two years working with Nick. I learned a lot of the intricacies of the organization – which was important, and my financial background was very helpful. Nick has been incredibly supportive of all my efforts, but he has also, if you will, backed away. I understand he's been very good at



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Keeneland photo by Z



retirement. His golf handicap is lowering. He and his wife, Susan, have done some great traveling. He'll call and update me on his travels just so I'll be jealous of what he's able to do. But there's been no better supporter, cheerleader and person to bounce questions off of than Nick. I'm very appreciative of that, because his support has been most important.

EL: Keeneland installed the Polytrack synthetic racing surface in 2006. According to recent Jockey Club data, based on a four-year period ending in 2012, synthetic racing surfaces have a lower incident of fatality – 1.03 per 1,000 starts on synthetic turf versus 2.10 on dirt. Since Keeneland is the leader in that area, what are some of the other pros and cons of synthetic racing surfaces?

BT: It's now statistically proven, Keeneland's had the track long enough and there's been enough research to show that it is the safest racing surface. Dirt is one track, turf is safer than that, and our Poly-

track is the safest. It's hard to find a negative attribute of Polytrack as it relates to the horse. The most important thing about a racetrack is that the racing surface has to be consistent. On a horse, you want every step to be like the last one, because they can adjust to that. Polytrack is a consistent surface, so it doesn't matter how much it rains; it's exactly the same. Because of that, horsemen know exactly the conditions they are going to be racing under. Some trainers across the country don't enjoy Polytrack, so Keeneland is always conscious of that.

EL: The issue of expanded gaming (casinos and the lottery) at racetracks remains a sensitive issue for Kentuckians-at-large as well as for the executive branch of state government and the Kentucky General Assembly. Has Keeneland adopted a position regarding expanded gaming, or is it still evaluating?

BT: Keeneland is actively working to find a solution on expanded gaming that benefits the equine industry as a whole as well as our state. Yes, Keeneland is a racetrack, and it is having more and more difficulty delivering a competitive purse structure in Kentucky compared to other states that have alternative forms of gaming. But, we don't look at things from just a racetrack perspective. Keeneland also has an obligation to the breeding industry and the rest of the industry throughout the state because of the important part Keeneland's sales operations play – it's the other core part of the business. Keeneland, because of its mission, feels a strong obligation to our community, state and the Thoroughbred industry.

Kentucky is the horse capital of the world, but Keeneland also wants New York, California, Florida, Arkansas and Texas to be strong Thoroughbred regions across the country. That's very important. Being the Thoroughbred capital of the world is an important brand for Kentucky. No place else has the distinction of being known for horses around the world.

Yearlings are examined the morning before the 2013 Keeneland September Yearling Sale began on Sept. 9. Total gross sales were up 27 percent to just more than \$280 million this year.

Keeneland is committed to promoting and supporting that brand. That's why it's a difficult decision. Keeneland is hoping there will be gaming legislation that supports the Thoroughbred industry as a whole.

EL: The Fédération Equestre Internationale (FEI) has re-opened bidding for hosting the 2018 World FEI Equestrian Games because there were no qualified bidders at the end of the recent bid process. Several people have mentioned that the Kentucky Horse Park is a proven facility that exists and performed well during the 2010 World Games, and the state wouldn't have to spend a lot of money to upgrade it. Would it make sense for Kentucky to enter into the bidding process for the 2018 FEI World Games?

BT: I can't imagine why the 2018 World Games wouldn't be something that Kentucky should definitely look at. The Horse Park is a unique facility and it provides all the infrastructure to support just this kind of equine event. There are other financial factors that come into play, but there's certainly no more unique place in the world to house the World Equestrian Games than here in Lexington at the Kentucky Horse Park.

EL: You mentioned that Keeneland had some projects under consideration for future capital investments. Does Keeneland have a project in the pipeline you want to discuss?

BT: Keeneland doesn't have any grand construction projects in mind right now. We're actively working on ways to upgrade our existing facility to make sure that Keeneland delivers a great experience for every one of its patrons. One of the greatest compliments Keeneland can receive is when people visit our track and say "they can't find the change." We try to keep the

Keeneland photo by Z



Helping contribute to improved Keeneland September Yearling Sale figures was a Tabit filly out of the Carson City mare Seeinsbelieve that sold for \$475,000.

architectural integrity of our renovations consistent with our brand and the specialness of Keeneland. But when visitors step inside our facility, we want to make sure that we're using the newest of technologies, engaging young people and our fans.

EL: What other forward-looking projects is Keeneland planning?

BT: Keeneland's new customer service initiative is an enhancement of the great services it already delivers, but we're even stepping that up to a higher level. We are not measuring Keeneland against other racetracks. Keeneland is creating these initiatives based upon what we think our customers expect from the very best entertainment venues around the world for a business function, a wedding, sales promotional meeting or any type of special event that may be occurring. Keeneland is a really special place, and we're going to use it in unique ways that are consistent with our brand and the expectations of our visitors and clientele.

Keeneland's customer service is also going to carry over to the way people are treated when they come to our Thoroughbred auction and when they come to our race meets – Keeneland's two core business activities. Keeneland wants every race-track to provide a world-class experience

for all fans. So as we're developing these initiatives here at Keeneland, we're also working with other like-minded racetracks across the country to do what we can together to establish best practices and help each other raise the standards at all of our racetracks. And it's all a part of an initiative across America to grow the racing experience and to create new fans.

EL: Is Keeneland evaluating quarter-horse racing as another equine-related investment opportunity?

BT: It is. This initiative is in the planning stages. The ability for Keeneland to move forward hinges upon legal decisions regarding historical race wagering, also called Instant Racing, that are now pending in front of the Kentucky Supreme Court. The arguments have been made that Instant Racing is pari-mutuel wagering, and we're waiting on a positive decision. Keeneland will then put together a partnership with a group that is going to help us establish a quarter-horse track.

EL: Do you have a closing comment?

BT: Keeneland doesn't take anything for granted. I have found our people have passion for the history and what Keeneland means to the community. Every single person out here, as they have always done, is

Top Ten Equine Breeds in Kentucky

Thoroughbred	54,000
Quarter Horse	42,000
Tennessee Walking Horse	36,000
American Saddlebred	14,000
Donkeys and mules	14,000
Mountain Horse breeds	12,500
Standardbred	9,500
Miniature Horses	7,000
Ponies	7,000
Paint	6,500

Source: University of Kentucky Agriculture Equine Programs

working hard together to share this place with the community that we feel like owns Keeneland. Keeneland is here to benefit the horse, the athletes that participate in the industry, the community and the fans who enjoy the horse and this beautiful countryside we are so blessed to be a part of. I hope everyone takes the opportunity to come and see everything that Keeneland offers, because it truly is a special place. ■



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

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Rebuilding the Housing Sector

After five years of decline, Kentucky single family starts up 33% in 2013

BY MARK GREEN

KENTUCKY'S housing sector is showing signs of recovery after a five-year recession, with home sales, prices and new construction all rising solidly the past six to 12 months, especially in the larger markets.

The mood in the housing industry is improving with the nice increase in construction numbers. However, the current upturn began from the deepest hole in decades, and it will be 2015 or 2016 or even 2017 before Kentucky home construction activity grows back to what is considered "normal," according to industry and economic experts.

The four- to five-year period after the financial bust in late 2008 was "an absolute housing depression," said Brian Miller, executive director of the Northern Kentucky Association of Homebuilders.

"So many people have never lived through something like this."

Rejuvenation of the housing industry should mean that an economy technically in recovery since late 2009 will also finally generate jobs a noticeable number of jobs.

Home construction permits are up 33 percent year to date across the state through August. That's long-awaited good news for Kentucky's public and private sectors alike because housing activity affects so many areas of the economy. It creates jobs across the entire economy and is a major generator of tax dollars for local, state and federal governments.



*Brian Miller,
Executive
Director,
Northern
Kentucky
Association of
Homebuilders*

U.S. housing metrics are quite positive, too, with building permit issuance up 20 percent this year, according to the National Association of Home Builders.

Housing's recovery "will be the rising tide that raises all ships," said Greg Harkenrider, deputy executive director for financial analysis in the Governor's Office for Economic Analysis. "I think everybody right now is looking at housing."

The collective mood is definitely improving and homebuilders are hiring, but they are doing so slowly because it is only the most cautious operators who are still in business today, said David Crowe, chief economist and senior vice president at the National Association of Home Builders. Chastened by five lean and difficult years, they remain gun shy of investing in "spec" homes — those built on a speculation basis before a buyer is lined up.



*Greg
Harkenrider,
Deputy
Executive
Director,
Governor's
Office for
Economic
Analysis*



*David Crowe,
Chief
Economist,
National
Association of
Home Builders*

Housing builds private wealth, public revenues Housing activity, said Crowe, represents 17 percent of the overall economy, which is just more than a sixth of U.S. GDP. The sector's overheated collapse in late 2008 is credited with producing the worst economic conditions since the Great Depression. A housing recovery would mean growth, jobs and wealth creation.

Employment levels and tax revenues rise and fall with housing activity, Crowe explained. According to NAHB measures, each house built generates three jobs and a total of \$90,000 in local, state and federal taxes.

This means that as Kentucky's annual home building permits spiraled down from an overstimulated peak of 17,900 in 2005 to only 4,800 in 2011, the state lost 39,300 jobs. And so many of those who lost work left housing construction altogether as the slump worsened that the sector's worries lately are shifting to concern about potential skilled labor shortages.

NAHB cannot estimate how the tax dollars divide among political entities because states and localities have different tax structures, Crowe said. By way of example, however, if local and state government each received a third of the \$90,000 tax pie every new home creates, the revenue loss for various Kentucky government entities would total \$786 million.

A housing revival will mean increases in state sales and withholding tax collections, Harkenrider said. Local government will see increases in occupational tax payments primarily and in property taxes secondarily, he said, with higher demand for construction workers generating higher wages and additional tax revenue.

“That’s good because construction workers, like any workers, their wages become somebody else’s income,” Harkenrider said, referencing the consumer spending multiplier effect. “What we need is housing to improve such that ancillary products can lead us out of what has been a very flat recovery.”

Kentucky benefits further from new housing construction because new homes require furniture, appliances, flooring and more, all products that are produced in a manufacturing state.

Headwinds versus animal spirits

There are potential headwinds that could slow a housing recovery, such as rising interest rates, more difficult mortgage lending standards and environmental regulations like new stormwater control requirements. One 3.5-acre residential development in Florence that Miller is familiar with incurred \$360,000 in stormwater compliance costs, which must be tacked onto the cost of the new homes there, he said.

“About 25 percent of the cost of a new home is the cost of regulation,” Miller said, “and two-thirds of that is land development regulation.”

Home prices and sales volumes in the Lexington and Louisville markets are rising. Through July, the Greater Louisville Association of Realtors reported a 19 percent increase in closings with 4 percent higher average prices. The Lexington Bluegrass Association of Realtors reported 24 percent more closings compared to January through July 2012 and a 3 percent higher median price.

Kentucky New Single-Family Home Construction

	YTD AUG '13	YTD AUG '12	YTD CHG	YEAR 2012
Kentucky	4,600	3,450	33%	5,000
Bowling Green	280	280	-3%	400
Elizabethtown	130	130	2%	200
Lexington	970	750	29%	1,100
Louisville*	1,770	1,640	8%	2,400
Owensboro	190	180	11%	200
N.Ky-Cincy**	2,340	1,820	29%	2,700
United States	428,700	345,900	24%	514,200

* Louisville MSA includes several counties in southern Indiana

** Northern Kentucky figures are for the Cincinnati MSA that includes southwest Ohio and southeast Indiana.

Home sales are rising now and expected to continue doing so even though consumers are more price-sensitive today. Take-home pay for many consumers has decreased the past several years, Harkenrider said, as a result of price increases for health insurance, food and other goods while wages remained nearly flat.

Rising home prices are viewed both as a headwind that could slow sales and an incentive to buy now before home costs climb.

Regardless of these headwinds, consumers increasingly are ready to spend, according to Harkenrider, who concurs with expectations that housing will continue its recovery the next few years. Demand for homes as well as autos is increasing, in his view, in part due to rising economic “animal spirits” as John Maynard Keynes labeled it. Kentuckians, like their fellow Americans, have resisted buying the comforts they’d like to have for four or five years.

“You can get them to hold off purchases for awhile, but eventually ... they get antsy, and they say, ‘I’m tired of waiting. I’m going to buy that car or I’m going

to build that house. I’m not going to live forever,” Harkenrider said. “They say, ‘After all, I work hard and I deserve it.’ ”

Meanwhile, he said, consumers can see also that the market has passed its bottom and prices and interest rates remain near historic lows. Waiting further will only bring higher costs, unlike the past several years.

Housing prices dropped for four years as supply remained out of balance with demand; several years of overbuilding were followed by several more years of repossessed homes returning to the market from buyers who’d gotten mortgage loans they couldn’t afford. Compounding the imbalance, new household formation stalled because young adult, typical first-home buyers could not find jobs or lost those they had and by necessity stayed in their parents’ homes.

A true housing rebound would help sustain itself by creating the new jobs that will lead to further household formation. Additionally, rising prices create a wealth effect among homeowners who see their equity and net worth numbers increase, which stimulates consumer spending.

“If you read the national economic forecasts and hear the national prognosticators,” Harkenrider said, “they look at aggregate demand. The key to consumption right now is autos and housing.”

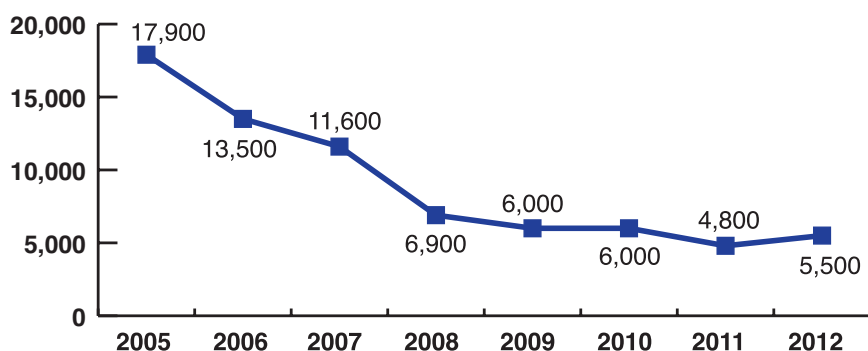
Rural areas more stable, less active

Indications that the housing sector was beginning to improve began appearing in mid-2012. There was a surge first in home remodeling activity, said Bob Weiss, executive vice president of the Kentucky Association of Home Builders. Kentucky home builders started to increase production a



Bob Weiss,
Executive Vice
President,
Kentucky
Association of
Home Builders

KENTUCKY NEW HOME BUILDING PERMITS HISTORY



Source: National Association of Home Builders

COVER STORY

year ago, he said, but upswings in construction activity are taking place mostly in urban areas.

In fact, bankers in rural areas of Kentucky are seeing very little change in mortgage lending, said Bob Ross, executive director of the Bluegrass Bankers Association, a trade group for community banks in the state.

"My understanding is that right now banks are not doing much home lending because there is not much demand for it out in the state," Ross said.

Kentucky's rural markets have been much less volatile than the nation as a whole, which is increasingly urban. Rural areas did typically did not over-build and felt much less of the effects of the housing bubble and crash.

Bankers in Kentucky's smaller communities are not seeing a distinct housing upswing, except for a few pockets of activity, said Paul Goodpasture, the new president of Bluegrass Bankers Association. He is executive vice president and chief operating officer of Citizens Bank in Morehead.

Goodpasture's home market is one of those pockets of housing activity, which he attributes mostly to growth in the student population of Morehead State University.

However, Morehead and Rowan County are also a center for wood products production, Goodpasture said, and that sector is a leading indicator for the broader housing industry. Bankers listen when their wood products customers tell them their business is changing.

"When we started entering this recessionary period five to six years ago, they started telling us ... we don't know what's happening but our sales are way down," Goodpasture said. "Last summer we started hearing, 'Hey, things might be starting to look a little better. We're starting to see some demand for certain types of wood.'"

Bankers are picking up other positive signs.

"Local retailers in the appliance-type business," he said, "are not talking doom and gloom like they were two and three years ago."

Banks have fewer troubled loans, delinquencies and foreclosures, Goodpasture said. Citizens Bank has seen an 11 percent growth in lending year to date in 2013 compared to 2012, and at least half of that is from home loans. He said he expects Kentucky bank to remain cautious in their lending standards as they seek to grow earnings that have suffered during the downturn.



Paul Goodpasture,
Executive Vice President/COO, Citizens Bank of Morehead

"The key right now for banks in general is, as things continue to improve, we need to make sure on the banking side we stay true to our fundamentals in terms of credit writing," Goodpasture said.

What is 'normal' housing activity?

Lending fundamentals are one reason there is some disagreement on what level of housing might return to as the economy recovers.

Expectations do differ on what "normal" housing activity will be going forward. The consensus is that normal construction and home sales levels are those of about a decade ago in roughly 2002 and 2003, when Kentucky had 11,000 to 12,000 starts annually and the national figure was at about 1.3 million. This was before the housing "bubble" from 2004 stretching into fall 2008, when loose mortgage lending practices overinflated prices and demand and spiked construction to nearly 18,000 in Kentucky and almost 1.8 million nationally – and brought on an economic when the lack of true value behind mortgage-backed investment instruments became apparent.

No one expects or wants to see a return to the "bubble" period activity levels that created a housing depression with the lowest relative housing activity in 50 years, when industry statistics keeping began. "Normal" and stable housing activity is the hoped for outcome.

The question, of course, is what is "normal"?

Lending specialists at Republic Bank, which launched a national mortgage warehouse lending operation two years ago, are among those who disagree with the notion that the market will rise again to 2002 to 2004 housing activity levels over the next two to four years. They believe rising interest rates and new bank regulations will slow housing down.

"I am cautiously optimistic," said Juan Montano, managing director of finance for Republic Bank. He oversees Republic's mortgage warehouse lending line of business, which provides resources to customers writing mortgages in all 50 states.

Republic has seen a 35 percent increase year to date in the number of housing units purchased, Montano said, and the bank's housing lending business mix has shifted significantly from refinancing toward purchases. In 2012, the housing lending mix was 70 percent refinance and 30 percent purchase; that has shifted in 2013 to 45 percent refinance and 55 percent purchase, he said.



Juan Montano,
Managing Director of Finance, Republic Bank



For July, purchases represented 65 percent of Republic's housing lending, Montano said, but he does not expect purchase loans to continue building into a larger share of the mix,

"What you're seeing now is going to be a normal purchase volume," he said. "It's going to be stable."

Montano considers National Association of Home Builders forecasts that Kentucky construction activity will increase 75 percent from where it is now too optimistic.

"I hope they're right," he said.

However, he believes rising interest rates in combination with new, more stringent qualified mortgage standards due out in January 2014 will prevent interested buyers from getting financing.

Kentucky recovers more slowly than U.S.

At the national level, housing construction is "about 60 percent back to where it should be" while Kentucky is around 50 percent of the way back, said NAHB economist Crowe, who happens to be a Kentuckian – he has degrees from Belarmine University and a Ph.D from the University of Kentucky Gatton School of Business and Economics.

"We're expecting you to get a little over 6,000 housing starts this year," Crowe said. "At the worst, you were



Staff photo

A new home is constructed in the Polo Fields subdivision in Louisville, Ky. More than 1,700 new homes have been constructed in Louisville this year, as of August 2013.

in Northern Kentucky, said his company is seeing activity focused in what he called “the move-up market” rather than first-time buyers who still are having difficulty meeting today’s down-payment and lending qualification standards.

Changes in the lending environment have “hammered” first-time buyers, Hawksley said, but that market is starting to come back slowly.

He, too, referenced the potential for rising interest rates and general uncertainties such as a late summer threat of U.S. military action in

Syria to weigh on potential buyers’ minds. However, interest rates remain “extraordinarily low” even after recent increases, and the housing market seems to have mostly worked through its oversupply problems.



Bob Hawksley,
President/
COO,
Fischer Homes

Less capacity to recover quickly

Overall economic and demographic conditions “are clearly in favor of seeing an increase in homebuilding activity,” Hawksley said.

He foresees a return to normal housing industry activity “in about 2015 to 2016,” and doubts there is sufficient industry capability to ramp up sooner even if demand and financing improve at a faster rate.

Fischer, which builds primarily in the Greater Cincinnati market but also Dayton, Columbus, Indianapolis and Atlanta, has hired 69 employees in the past year and now has 300, not counting its trade partners and subcontractors.

“Over the last six to seven years we saw probably 75 percent of the builders go out of business. That’s substantial,” Hawksley said. Subcontractors went out of business with them.

“We’re limited in some degree in our capacity to rebuild. You can’t just snap your fingers and double production.”

Builders lately are finding that there is more demand for subcontractors, and that it take a little longer to get them onto a job site, said Weiss, of the Kentucky Association of Home Builders.

“Houses are where jobs go to sleep at night,” Crowe said, citing an old industry adage. “In communities there’s often a focus on expanding the employment base, but that’s only possible if you have a house for that job to live in.” ■

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

doing only about 30 percent of what we consider normal production levels. In 2013, we expect you to have moved up to 57 percent of normal.”

NAHC expects the nation to grow back to “normal” home construction activity levels by 2016, he said, with Kentucky another year or two behind.

The national association tracks the mood of homebuilders each month and that assessment moved above 50 and into positive territory four months ago, Crowe said. The September index figure was 58.

By comparison, the index topped out at 72 in June 2005 then fell to its all-time low of 8 in January 2009.

“It was a pretty drastic crash,” Crowe said. The previous index low had been 20 in January 1991.

Strength in \$250,000 to \$400,000 range

Major Kentucky home builders and executives in the state and regional associations say they do expect industry growth to follow NAHB forecasts for a return to the pre-boom construction levels of a decade ago – providing there are no major economic surprises in the meantime.

“It’s much stronger and continues to improve,” said Ray Ball, president of Lexington-based Ball Homes, the top builder in the Bluegrass and one of the

top builders in the Louisville and Knoxville, Tenn., markets.

Ball Homes did notice the market slow some when mortgage interest rates increased a percentage point in early summer after Federal Reserve officials hinted at tapering off their economic stimulus efforts.

“The rate of improvement has slowed some, but our business is going quite well,” Ball said. “There’s a lot of variables in play, but we expect ... continued growth over the next couple of years back to pre-boom time years.”

That’s faster than Kentucky as a whole, but Ball has less competition today than it did a decade ago.

“What we’re seeing real strength in is in the \$250,000 to \$350,000 to about \$400,000 home,” Ball said. “That’s a much higher price point than what we would’ve thought.”

He attributes this to current buyers having waited longer to purchase their first home and to buyers acting more deliberately to purchase homes they plan to stay in longer.

Bob Hawksley, president and chief operating officer for Fischer Homes based



Ray Ball,
President,
Ball Homes



Rick Pitino, seated, holds his Louisville of the Year award. With him are, from left, former winners Bill Samuels Jr., UofL Athletic Director Tom Jurich and Dan Ulmer.

John Wooden, Wilt Chamberlain, Larry Bird and other coaches and players.

"This year we didn't have the best team in the country," said UofL Athletic Director Tom Jurich, speaking on behalf of Coach Pitino. "We had the best chemistry and certainly the best coach. I think when you put chemistry, character, integrity and your coach together, you have a tremendous formula for success."

Jurich described Pitino as having an indelible impact on his players.

"Everyone knows about his reputation – he will go down as one of the all-time greatest coaches in the Hall of Fame," Jurich explained. "The thing I really appreciate is what he does with the young men, how he grows them into tremendous individuals."

Pitino's contributions extend off the field, as well. He and his wife, Joanne, founded the Daniel Pitino Foundation in 1994 to honor their son Daniel, who died as an infant in 1987. According to a release on the AAF Louisville website, the foundation raises money for the WHAS Crusade for Children, Down Syndrome of Louisville, Kosair Children's Hospital, Louisville AIDS Walk and Ronald McDonald House.

"I just absolutely love the people (of Louisville)," Pitino explained when asked why he's made Louisville his hometown. "They're loyal to the university and they've been great to me and my family. Obviously, we're having success, and it's a great deal of fun." ■

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

FOCUS ON FUNDAMENTALS DRIVES SUCCESS

Coach Pitino caps impressive year with Louisville of the Year award

BY ROBERT HADLEY

FOR Louisville Cardinal basketball fans, the biggest news delivered at the Aug. 23 meeting of the American Advertising Federation of Louisville likely had to do with Coach Rick Pitino's prediction concerning his team, if a certain condition were met.

"You know, it's been two unbelievable years," Pitino said via video. "Two back-to-back Final Fours, in arguably one of the toughest conferences in college basketball, winning two back-to-back (conference) championships, one played at Madison Square Garden, for the last time (among) a tremendous group of teams in the Big East."

"One more – and we all dream of that – and we're creating a dynasty. Three years at the championship level, and you've created a dynasty."

Pitino was on hand – on film, that is – to accept the AAF's Louisville of the Year Award, an annual honor bestowed since 1951 to recognize civic, educational or business contributions to the city. Past winners include UofL President James Ramsey; Bernard M. Trager, chairman and founder of Republic Bancorp Inc.; Muhammad Ali; Tom Jurich; George Fischer; Mary Bingham; Ulysses Bridgeman Jr.; and Mary H. Griffith, among others.

In his acceptance video, in which he was interviewed by WDRB sports reporter Eric Crawford, Pitino apologized for being unable to attend and blamed a scheduling conflict for his absence.

"It's the first time in 13 years anything like this has happened," he said. "I sincerely apologize because I did want to be here to accept this award from the town I love so much."

The Louisville of the Year Award caps an impressive year for Pitino, who saw his No. 1 ranked Cardinals win the NCAA championship last April. Later that month, Pitino learned he had been selected for induction into the Naismith Memorial Hall of Fame, which has honored basketball greats like Michael Jordan,



The American Advertising Federation-Louisville chapter held an event in late August to bestow its Louisville of the Year honor on University of Louisville basketball coach Rick Pitino, in part for the work on behalf of the underprivileged by the Daniel Pitino Foundation founded in 1994 to honor a son who died in infancy.

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Asphalt vs. Concrete



A road construction crew paves a scenic Kentucky roadway with asphalt. The Kentucky Transportation Cabinet invests in hundreds of paving projects each year.



These shots, from May 2012, show the concrete deck being poured on a new, replacement span of the Eggners Ferry Bridge on Kentucky Lake. The original span was knocked out by a cargo vessel in January 2012.

Kentucky's lopsided rivalry for the roads gives 98 percent of paving work to one surface type

BY SEAN SLONE

ASK the folks at the Kentucky Transportation Cabinet in Frankfort who decide how to build and rebuild the state's roads whether there is a rivalry between the concrete and asphalt paving industries, and they will tell you there is. But talk to representatives of those two industries and it becomes clear that the rivalry is based more on ambition than reality in Kentucky.

"There is somewhat of a rivalry," said Paul Looney, transportation engineering branch manager in the Pavement Branch of the KYTC Division of Highway Design. "Both industries still push the benefits of their products, and we continue as a cabinet to see the benefits of both industries and both products in Kentucky. ...Whether it's 'we're greener or quieter' or 'we're most effective,' there's a big marketing push nationally."

That marketing push has at times taken a combative tone, according to Brian Wood, executive director of the

Plantmix Asphalt Industry of Kentucky, which represents the state's asphalt producers.

"There's been a lot of marketing and advertising by the concrete industry, and most of it has been negative towards asphalt," Wood said. "Instead of promoting concrete, they've been denigrating asphalt, and that really has not been well received in the asphalt industry. ... And then at the local level, the concrete industry made a fairly bold claim that they were here to take 15 percent market share away from the asphalt industry. ... I don't know if you'd call it a rivalry. There are certainly a lot of battles out there. It's a contentious issue within the community of transportation and paving."

When it comes to what is actually happening on the state's roads, Wood's industry certainly appears to be win-



Brian Wood,
Executive
Director,
Plantmix
Asphalt
Industry of
Kentucky

ning the war, conceded Finley Messick, executive director of the Kentucky Concrete Pavement Association in Frankfort.

"It is hard to call it a rivalry when the asphalt industry has the lion's share of the (Kentucky) work – approximately 98 percent annually," he said. "The concrete industry continues to strive for a level playing field with government. There is no rivalry from the concrete industry, just an attempt to get fair treatment in government procurement."

"But honestly I do not believe there is an intended bias here. (KYTC) Secretary (Mike) Hancock and State (Highway) Engineer (and Department of Highways Commissioner) Steve Waddle have been working with our industry, but we still have not managed to increase concrete's market share," Messick said. "There are a lot of factors involved – changing perceptions and cultures are just a couple of them."

Playing field is difficult to level

The dominance of the asphalt industry in road construction sets Kentucky apart from some of its closest neighbors.



Finley Messick,
Executive
Director,
Kentucky
Ready Mix
Concrete
Association

"If you go to a state like Missouri, their industries are more balanced," Looney said. "They're more like 50-50."

"There is more balance in almost every nearby state," Messick agreed. "Indiana, Tennessee, Virginia and Illinois have a much healthier two-pavement competition."

Looney said the KYTC has been working the past six years toward creating a more level playing field for the two industries in Kentucky. That includes making greater use of alternate pavement bidding, in which the state solicits two equivalent pavement designs to try to determine the best value option.

"We probably averaged a dozen (alternate bid) projects a year in the last four years," Looney said. "That's how several states have handled trying to give everybody an equal opportunity."

"When there's no overriding engineering factor on a project, when you look at it and the costs are similar, when there's no overriding need to have one type (of pavement) because of weak soils or extremely heavy traffic, or I need to get in and out really quick, when there's no other engineering factor, we have gone to bidding alternate pavement."

Looney said the use of the procedure has increased competition and lowered bid prices. But the competition has mostly been among asphalt contractors in the state, in the concrete industry's view.



Paul Looney, Transportation Engineering Manager, Pavement Branch, KYTC Division of Highway Design, Kentucky Transportation Cabinet

"All alternate bids have gone to asphalt, some by very narrow margins," Messick said. "The intent of this particular administration to do some alternate bidding was well intentioned but has not increased competition in any significant way. Only a small portion of total road contracting by (KYTC) was alternate bidding in the last two years, and this year only two or three projects were alternate bids."

Concrete paving companies say preparing alternate bids is a costly process.

The underlying problem for the concrete industry, however, may be that it's not on equal footing in terms of its statewide presence or how its product is perceived and utilized.

"What's interesting to note is that there is a large percentage of projects that have been advertised by the (Department of Highways) as alternate bid that have not even received a concrete bidder," Wood said. "There (are) only a handful of contractors on the concrete side, whereas there's probably almost 30 asphalt paving contractors that have plants in almost every county."

No one likes artificial levelers either

In addition to the disparity in the size of the two industries though, there are other differences that make them unequal or at least dissimilar.

"You're comparing apples and oranges," Wood said. "The two products are not the same. They don't behave the same. They don't require the same types of maintenance activities. They don't have the same construction schedules. So it's a challenge to try to come up with a system that's perfectly fair for both industries."

For one thing, the way the two prod-

ucts are measured and paid for is substantially different. Asphalt paving is applied in multiple long layers or lifts that are compacted by heavy rollers; concrete pavement techniques vary from more common pouring in slabs to laying precast segments and can include multiple layers. Concrete generally has higher load bearing capability and longer durability.



Mike Hancock, Secretary, Kentucky Transportation Cabinet

"Asphalt is paid for by KYTC on a per-ton basis. Concrete is paid for on a square-foot basis," Messick said. "On large projects, using a weight measurement is not the same as using an area measurement for payment. Variations in weight and thickness can allow higher payments compared to an area-measured payment."

But Wood called the contention that the difference might give anyone an unfair advantage "overrated."

"We don't build (an asphalt pavement) a square yard at a time," he said. "We had one project where the cabinet made both products per square yard and paid per square yard, and had a very difficult time figuring out how to pay us because we lay a 'lift' at a time and we build it up over time, which is a benefit of asphalt. We can do staged

An example of a new concrete intersection, this one on a new bypass project in Flemingsburg. It's part of an overall project and not related to any pavement issues at the intersection per se, but it is now the best practice to use concrete at signalized intersections to prevent rutting and "washboarding" that occurs when heavy vehicles stop or sit for prolonged periods.



HIGHWAY CONSTRUCTION



construction. We can put traffic on it. We can do it at night. We don't have to shut the whole road down and build it and wait for it to cure out and then put traffic on it."

Messick countered that asphalt isn't always faster for road construction and that speed of construction is a project-by-project consideration.

"The state is doing some small intersection work now with 24-hour (concrete) mixes," he noted. Moreover, he contends, speed shouldn't always be the primary consideration. When heavy trucks are allowed to roll over thin, incomplete asphalt intermediate layers, those layers are stressed, perhaps unnecessarily, he argued.

Both Wood and Messick said they have at times taken issue with KYTC practices that have attempted to account for factors that are beyond the control of one industry or to artificially level the playing field with indexes, penalties or double standards. Asphalt contractors, Wood said, don't like the

practice of bid adjustment that puts a penalty on the asphalt bidder. Those contractors, he contends, are also held to a higher standard than their concrete industry counterparts when it comes to pavement smoothness and ride quality.

Messick doesn't like the use of indexes or escalators that allow the asphalt industry to get around issues surrounding the volatility in the price of their product. Asphalt, a liquid or semi-solid form of petroleum, has seen price spikes as the price of oil has fluctuated in recent years. When used in the alternate bid process, escalators allow the asphalt contractor to enter a low bid to win a project but the state could end up paying much more for asphalt materials at the time of construction if the price of oil increases substantially in the interim, the concrete industry contends.

The Federal Highway Administration has advised, Messick points out, that "the use of commodity price adjustments for material prices is not desirable for alternate bidding contracts" and that while

Asphalt is laid down in layers and then compacted by a Kentucky road paving crew. The asphalt industry touts its product as versatile and built to last.

Kentucky continues the practice, Indiana does not. But Wood believes such practices are necessary to ensure the sustainability of the asphalt industry.

"Otherwise you're putting the burden on the pavement contractor to guess at the cost of oil and gas ... in the future," he said. "If they guess wrong, they probably won't be here to think about it or to do the work. ... At least this way we're paying the actual market cost and it may be less (when construction begins) than it is today and they may save money on the job."

Messick has some ideas for what he believes might constitute fairer treatment for the concrete industry in government procurement. They include the state committing to doing a number of concrete-only projects every year, something Wood says sounds like a subsidy that "just doesn't fit with free enterprise." But Messick points out there are many asphalt-only projects and many single-bid asphalt projects every year. Messick believes concrete should be considered even in places where asphalt has previously been the material of choice.

Asphalt over concrete, literally

"Surely concrete deserves to be utilized for road projects more than 2 percent of the time," he argued. "For example, if the state would consider concrete



Asphalt is a liquid or semi-solid form of petroleum. It is made from stones, sand and gravel, held together by asphalt cement. It is most commonly used in road construction, but also can be used on roofs and for waterproofing purposes.



Crews apply asphalt resurfacing along Interstate 64 this past summer in Bath and Rowan counties. The project was funded by the Kentucky Transportation Cabinet's annual maintenance budget for major routes.

overlays of existing asphalt roads, the taxpayers of the commonwealth would benefit from an economical, long-lasting, low-maintenance pavement. ... Almost uniquely in Kentucky, the vast majority of concrete pavements built in the '60s and '70s of concrete have been overlaid with asphalt. Once that is done, rarely is a concrete overlay considered. ... In Missouri, there is a lot of concrete overlay on asphalt work."

Messick also contends the KYTC needs a pavement selection process that is more balanced and transparent and that more actively takes into account lifecycle costs, maintenance costs and environmental factors such as heat reflectivity of the pavement surface.

But Wood argues the KYTC is already doing many of the things Messick suggests and that others aren't required.

"They have a pavement-type selection process," he said. "It's spelled out in a document that's on their website. ... It looks at future maintenance costs. It looks at initial costs. It doesn't take into account any environmental variables, but those are things that are not really quantifiable and those are not things that are really recommended by the (Federal Highway Administration)."

For his part, Messick doesn't really expect things to change anytime soon.

When it comes to state road paving projects, he calls the future outlook for the concrete industry "dismal."

"Without a true commitment by ... legislators and government officials for a healthy, competitive, two-pavement system, concrete pavement will continue to be an afterthought," he said. "A healthy, two-pavement system in other states has been shown to actually help overall state road funding in the long run, which could help both industries."

But Wood believes even with limited competition from the concrete industry, the Kentucky Transportation Cabinet and Kentucky taxpayers are still getting a good deal most of the time.

"Anytime (the KYTC does) a project, they have a secret engineer's estimate," he said. "So they establish what is, in fact, a fair price and if a bid comes in in excess of that amount, then they reject it. The (Department of Highways) has the ultimate veto power as far as pricing for any product, any industry, any project. In urban areas, there's tons of competition even within the (asphalt) industry. Raw materials costs go up and somehow bid prices come down. You can't even hardly explain it. Maybe people aren't making money at it. But I think the taxpayers get a value and I think that the (Department of Highways) and (the engineer's) estimate is that check valve that ensures that they're always getting a fair price." ■

Sean Slone is the Program Manager for Transportation Policy at The Council of State Governments in Lexington.



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Cybersecurity Takes Discipline

Policies, training essential with new employees accessing business data via mobile devices

BY GARY WOLLENHAUPT

JUDGING by frequent headlines about stolen credit card numbers and hacker attacks, companies face cybersecurity threats from literally around the world. But are Kentucky companies doing enough to keep their information – and customers' data – safe?

Cyber threats take many shapes, from the proverbial hacker in his mom's basement to organized gangs in Eastern European countries. And experts say the bad guys have to be right only one time to pull off an attack, whereas the corporate guardians have to get it right every day, all day to keep company assets safe.

The damage from a major cyber attack could be huge – the power grid goes dark, electronic payments are compromised or disabled, and communications including phones and email go offline. Data breaches can cost a company a lot of money in fines as well as lost business and perhaps most costly of all, a loss of consumer trust.

A few months ago, the Twitter feed for the Associated Press was hacked, and unauthorized tweets were seen by millions of people. "The Twitter feed was probably not on the security team's plan because there is not company data involved, but I'll bet it is now," said David

Kidd, director of quality assurance and compliance for Peak 10, a Charlotte, N.C.-based information technology service provider with three data centers in Louisville.

In New York, a globally organized gang of hackers managed to steal \$45 million from automated teller machines. Another group stole 160 million credit card numbers over a period of year. Interestingly, the gang members had held some their meetings in person because they didn't trust the security of their own digital communications, according to *InformationWeek Security* magazine.

As more and more sensors and equipment are connected to the Internet, the threat of attack grows larger. And the intent behind incursions is typically more serious. The days of adolescent hackers breaking into a system just to see if they can do it are long gone. Cyber attacks are usually aimed at gathering personal data, often to sell to identity thieves who create fake credit and debit cards.

Thieves and hackers buy and sell data and intrusion secrets in private forums, said David Montgomery, senior account manager for SDGblue LLC in Lexington, who changes his own 12-character



David Kidd,
Director of
Quality
Assurance and
Compliance,
Peak 10

alphanumeric password every 30 days.

"If you can read, you can be a hacker, because you can pay money and they give you the instructions on how to run these hacking tools," he said.

Hackers attack for many reasons in addition to stealing personal data.

"There's corporate espionage, where hackers try to steal engineering diagrams and product plans, that's definitely a risk for many companies engaging in significant product development," said Vince Kellen, CIO for the University of Kentucky.

Some hackers attack for political or personal reasons against companies and organizations that hold opposing viewpoints.

"Hactivism groups are not always after money. Sometimes it's just for defacement or political reasons," said Tyler Leet, director of risk and compliance services for Paducah-based CSI Inc. "Get a large group of cyber nerds together, and they can do some dangerous things."

Financial institutions and healthcare facilities face some of the toughest chal-



David Montgomery,
senior account manager,
SDGblue LLC

lenges in protecting data because of regulatory requirements. Hospitals and healthcare have to secure patients' medical data as well as payment information. However, practically any company presents a target for hackers looking to disrupt business.

"Although there might be different regulatory risks, it's all about protecting information, the availability of your systems and data and the integrity of that data to make sure those are protected," Leet said.

In fact, hackers can break into a network and encrypt a company's data with a password known only to the hacker. The hacker, usually a member of a gang, holds the data hostage until the company pays ransom for the password.

How do Kentucky companies stack up against the threat of cyber attack? While it's difficult to give an overall assessment of security levels, Kentucky companies tend to be 12 to 18 months behind the leading edge in adopting the latest security tools, Montgomery



Tyler Leet,
Director of Risk and Compliance Services,
CSI Inc.

said. "Some of the hot topics here right now, in a different locale might have been front page news a few years ago," he said.

More mobile devices, less security?

The spread of smart phones and tablets has increased the level of difficulty for security experts. Employees want to be able to access their company email and networks while traveling or at home on the couch.

It's called "Bring Your Own Device" and it scares security experts. A typical employee may have four or more devices at home to access a company's computer network for email or other applications.

"Mobile devices introduce a new avenue of possible exploits, because now you have employees taking devices home and maybe their family uses those devices, so how do you control what happens on those devices and what happens when it's brought back into the internal network?" Leet said.

Employees' personal devices present a policy challenge for companies. After all, the employee paid for the device.

"The employees can do whatever they want with the device, but the data



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they access belongs to the company, not the employee,” Kidd said. “There have to be security policies in place to access the company’s data regardless of the device that’s used; the device is really just another access point.”

There are still some gray areas for companies in managing employees’ devices.

“If a company has the ability to wipe data from an employee’s device, what’s the liability if I wipe some of your personal data?” Montgomery said. “There is no consistent set of policies that everyone is adhering to.”

White hat attacks

Consultants test company’s security with “white hat” attacks instigated by good guys designed to seed out weaknesses.

SDGblue sent an email to 300 employees of a company, and 87 of them provided their user IDs and passwords, Montgomery said. It’s called “phishing” or “social engineering,” in which hackers send mass emails that try to trick people into voluntarily giving up their passwords by reply email, or they pose as an authority figure in a phone call.



Kevin Kirby,
Dean, College
of Informatics,
Northern
Kentucky
University

“Even in 2013, fairly sophisticated people are still falling prey to phishing attacks,” said Kevin Kirby, Ph.D., dean of the College of Informatics at Northern Kentucky University.

At a hospital, an employee gave her name and password to someone calling claiming to be from the IT department.

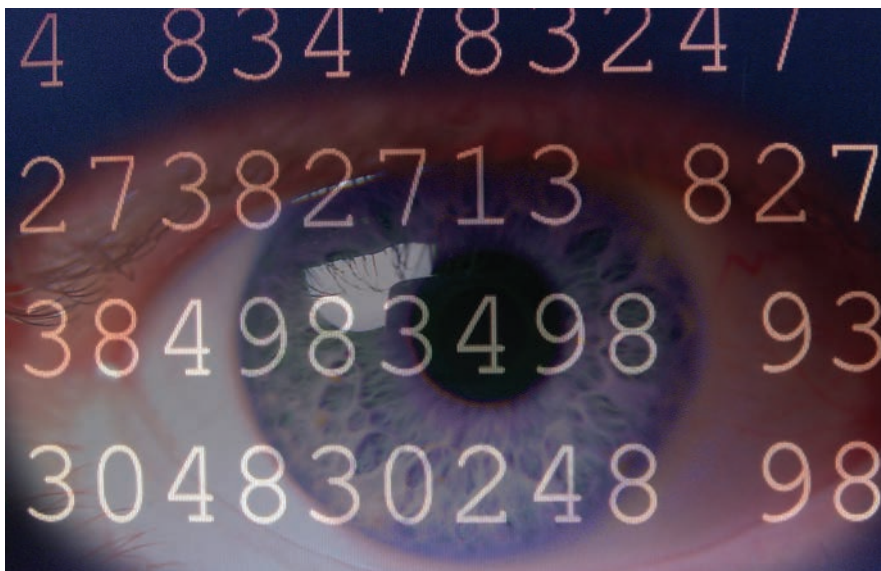
She saw through the ruse when the caller with a heavy Eastern European accent asked what programs she was running.

“She hung up on him and called their IT department, but they had to send a (computer system) server to a forensics specialist and it cost \$12,000 to find out what the damage was,” Montgomery said.

In testing security at community banks, Leet said his white-hat team typically can gain access to about 10 percent of a bank’s network because many devices still use default passwords. Hackers can look up the default password and easily get a foothold inside the network.

Regular security training and communication for employees is important to remind them to change passwords and not click on links or attachments in suspicious emails. However, too many companies skip security in new employee orientation, Leet said.

“We’ve tested one bank for years, and every year there are a few employees who give up their passwords. There are always new employees,” Leet said. “If



Big Data Equals Big Business

THE University of Kentucky aims to boost graduation rates by following the big data behind student performance.

The university is using new tools to look at data it’s always had in a whole new way. Vince Kellen, UK’s chief information officer, said the university is using new software from SAP that allows it to sift and sort a wide range of data behind a student’s likelihood of graduation. By looking at course history, grades, class attendance and engagement data, UK is starting to build a picture of what makes a successful student.

The new tool is 1,000 to 20,000 times faster than previous software, so analysis that would have taken hours now takes seconds. That speed gives UK a way to look its big data in a whole new way.

“With that performance you can think differently about how to analyze data,” Kellen said, “and you don’t have to worry if it’s too much data.”

“Big data” is exactly that, data that’s too voluminous, comes from too many places and moves at too fast a pace to handle in a standard fashion. How big is “big” really depends on the size of the organization and the tools it has to manage and analyze data.

“Were looking at big data in terms of the ability of the company or organization to manage it effectively,” Kellen said.

With powerful new tools, big data is becoming a reality for many companies.

UPS uses big data to develop the most effective routes for packages and trucks. Basing its marketing on prior purchases among pregnant women, Target famously sent coupons for baby products to customers who hadn’t yet told their families they were expecting. Google is using its treasure trove of big data to develop shopping systems that can send you groceries when you run out without having to place an order.

With its data initiatives, UK is developing scorecards for students to show how engaged a student is and whether he or she may need academic assistance. Similar measurements could be applied to employee engagement.

“For a lot of companies, knowledge and training of employees is critical,” Kellen said. “Some companies are deploying solutions to help bring information to employees.”

At UK the data was already there, but it takes new tools and ways of thinking to be able to ask the right questions to sort out the answers.

“Every business has more value they can extract out of their data, you just need to get the right people who can think about that correctly,” Kellen said.



Vince Kellen,
Chief
Information
Officer,
University
of Kentucky

a new person hasn’t been trained, as soon as they become an active member of your network they become a liability.”

While there are many things companies can do to improve cyber security, some of the most effective are also the least costly to implement.

“Develop a password policy and don’t use one password for everything,” Kellen said. “If you change passwords regularly, even if it’s stolen it won’t be useful for very long.”

Management oversight also adds another layer of cyber defense.

“Have a proper segregation of duties and oversight over those duties,” Kellen said. “Design the business processes appropriately so that it will be harder for someone to compromise the company with stolen data.” ■

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

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Big Ass Fans in Lexington was recognized with a Green Manufacturing magazine innovation award this year. It holds patents on low-power large-blade cooling fans.

Others have created new products to meet long-standing customer needs. Lexington-based Big Ass Fans holds a number of patents regarding the manufacture of its namesake products. Some, like Lexmark, listen to their customers to find value-added ways to stay competitive.

But despite *Fast Company's* rankings of Kentucky as second in the nation in percent of growth in startups per million residents and fifth in percent of growth in entrepreneurial activity, Kimel is cautiously optimistic.

"It depends on what metrics you use," he said. "Certainly, Kentucky has made a lot of progress over the last 10 to 15 years, but there's still a long way to go."

This month, we'll take a look at five case studies of innovative companies in Kentucky, with an eye toward best practices that can be shared with any enterprise.

Building Innovation into the Workplace

Kentucky companies find inventive solutions to getting and staying competitive

BY ROBERT HADLEY

WHEN national business magazine *Fast Company* earlier this year ranked Kentucky high on two of its lists of characteristics that support innovation, the rankings came as no surprise for Kris Kimel.

As president of the Kentucky Science and Technology Corp., Kimel has watched Kentucky's development as an incubator for innovation for much of the past two decades. Kentucky, once known chiefly as a state with Thoroughbred racing, bourbon production and coal mining, began



Kris Kimel, President, Kentucky Science and Technology Corp.

evolving as far back as the 1980s, when the world's first artificial heart was implanted at a Louisville hospital.

Although headline-grabbing medical innovation has continued (the world's first successful hand transplant also occurred in Louisville in 1999), many of the developments have occurred much more quietly.

Some of the innovation has come from companies that provide unique information for their customers. For example, Genscape, a Louisville-based energy information company, launched in 2000 with still-exclusive technology that monitors the nation's power grid. Louisville-based Appriss began as VINE, the victim's identification network, notifying crime victims when their attackers will be released.

Genscape

Before Genscape started in 2000, energy traders had no access to vital information about the nation's power grid and electrical supply, key data that could affect buy-and-sell decisions on a daily basis, according to Diedre Alphenaar, the company's chief R&D officer.



Diedre Alphenaar, Chief R&D Officer, Genscape

But thanks to an electromagnetic sensor the company developed – Alphenaar says some 3,000 now dot the United States and 13 European countries – traders now have real-time access to the flow of supply and demand affecting the nation's electrical supply.

"They're an information-hungry bunch," Alphenaar says of the energy



Genscape has developed products that monitor usage of the U.S. electrical power grid.

traders who form the company's customer base. "Genscape has a reputation of going into a space and finding a unique, niche data source that (traders) haven't had access to before."

Since its initial success with the electromagnetic monitor, Genscape has expanded its palette of technology beyond electric power to include monitoring domestic and global markets in oil and natural gas.

An example would be the use of thermal cameras to monitor operations at crude oil refineries and petrochemical plants. At five-minute intervals around the clock, the cameras capture images of heat signatures that are interrogated for issues by a combination of software and human eyes.

"We can tell the oil market when there's an issue at one of the plants," Alphenaar said. "It allows transparency into the whole supply-demand (equation) for oil markets."

Lexmark

The market for laser printers – a device invented some 30 years ago – is a mature one, dominated by Hewlett Packard, Lexmark and a handful of Asian players, such as Brother and Samsung. The devices are almost a commodity, with seemingly little to differentiate them between brands. The challenge then for Lexmark, a \$3.8 billion manufacturer of the devices, is to stay competitive and avoid the fate of other once-successful tech giants, such as Kodak and BlackBerry.

So exactly how do they do it?

Well, as it turns out, laser printer hardware is far from being a one-size-fits-all proposition.

Kevin Schoedinger, a senior technical staff member at Lexmark, recalled that a customer using one of the firm's high-end printers preferred their print jobs to be removed from the output tray before the next job was sent.

Sounds simple, right? Only trouble is, that particular printer didn't have the ability to sense when jobs had been removed from the output trays.

The solution came after the problem had been posted on "Innovate," an internal social media platform that lets Lexmark employees at the company's Lexington headquarters collaborate with those in Detroit, Germany, the United Kingdom and other locations.

It seems that an existing sensor could be positioned in the output tray to



Kevin Schoedinger, Senior Technical Staff Member, Lexmark



Lexmark software developers in Lexington video conference with fellow software developers in Kolkata, India.

detect when it was covered or uncovered by paper.

"Within a day and a half," recalls Schoedinger, "we had 40 posts discussing the problem and coming up with solutions, and the ideas were building on one another."

"That (level of collaboration) makes engineers start to drool," he added.

Schoedinger and Sheri Evans Depp, director of talent management for Lexmark, both sit on Lexmark's Innovations Champions Board, which aims to drive innovation from a cultural and tactical standpoint.

In addition to stressing the value of innovation with internal communications, new employee orientation and the Champions Board, Lexmark uses elements of gamification to reinforce participation on Innovate, the social tool Schoedinger credits with helping find customer solutions. Users can earn points by contributing to discussions, sharing ideas or recognizing co-workers for new ideas.



Sheri Evans Depp, Director of Talent Management, Lexmark

Appriss

From its beginnings in 1994 as the Victim Identification Network (VINE), Appriss has been grounded in innovation.

With VINE, its flagship product, the company provided crime victims with prison release information about their attackers. Since then, the company has added numerous programs that support law enforcement, including those that help the government and drug stores track the sale of pseudoephedrine and other substances that could be used in meth labs.

"We continue to acquire new pieces of data that can be used in different safety environments," said Pam Perry, vice president of human resources at Appriss.

To drive new product development, Perry said the company encourages innovation among its engineers by hosting semi-annual Innovation Weeks. During those two weeks, engineers develop and vet ideas for new products, business solutions or internal efficiencies.

The Innovation Weeks can only be successful, however, if an organization like Appriss has the right people in place.

"The key is hiring people who come from high-growth or startup environments, where innovation is the key to success," Perry said. "We bring in people with an entrepreneurial spirit, which in and of itself drives innovation."

Work history seems to be an effective predictor of the level of innovation a candidate can contribute. Working with established companies with a single, mature product may be less likely to prepare workers to adapt to the rapidly changing environment innovation thrives on.

"It's a matter of how certain individuals like their work environments to be structured," Perry explained. "We try to avoid hiring people who work on a policies-and-procedures basis, who like to have everything written down."



Pam Perry, Vice President of Human Resources, Appriss

ENGINEERING & DESIGN

Appriss employees operate in a carefully constructed culture designed to facilitate work/life balance and spur innovation by helping them focus on work. For instance, the company's on-site clinic lets workers see a doctor for routine issues without having to leave the premises. It supports flexible work hours, such as having every other Friday off, or scheduling an extended beach vacation if desired.

"We try to let them manage their creativity and energy in a way that works for them," Perry said. "It lets people work and be productive when they feel they can."

Harshaw Trane

In the coming "Internet of everything," where even light bulbs and thermostats have their own IP address, Louisville-based Harshaw Trane already has staked a presence.

The company provides energy consulting services that enable buildings and facilities to operate with high efficiency through a range of HVAC systems, services, parts and controls. With the addition of its home-grown Intelligent Services division (aka the "Internet of everything"), Harshaw Trane can pinpoint data to optimize building performance.

"We think it's like (General Motors') OnStar for your building," said Ruth Reid, Harshaw Trane's human resources director. "It's real-time energy management tools that let our customers reduce energy consumption and mitigate risk."

Creating innovation such as Intelligent Services begins with recruiting the right workers and adequately preparing them to perform in a high-innovation environment. Reid said Harshaw Trane



Ruth Reid,
Human
Resources
Director,
Harshaw
Trane

arranges meetings between candidates and current staff where performance goals, company history and expectations are discussed. Reid said these onboarding or orientation sessions are key drivers of an innovation culture.

"Our ability to innovate is the single biggest predictor of our success," Reid said. "We talk about innovation, collaboration, the importance of consensus."

"Being an 'intra-preneur' is not just a shiny, new thing," she added. "It's a part of our 30-year history."

Big Ass Fans

You can't interview a company like Big Ass Fans (BAF) without asking about the origin of its unique name.

As is the case with many innovative ideas, the unusual moniker came from customer feedback.

"People would call in and say, 'are you the people who sell those big-ass fans?'" recalled Carey Smith, the company's founder and CEO.

BAF's genesis came about as a result of a business that didn't quite fail, but didn't succeed either. Smith formed a company that manufactured and sold external sprinkler systems to cool industrial complexes. The sprinklers would mist a small amount of water on the factory's roof to cool the facility through evaporation. But even after investing years in the business, sales remained flat at about \$1.5 million a year.

That's when Smith had a brainstorm. "It became obvious to me that while roof cooling was something that not many people were interested in, they still needed to keep cool," Smith said. "The circulation of air was just a natural."



Carey Smith,
Founder and
CEO, Big Ass
Fans



Genscape employees have expanded the Louisville company's original product line to include monitoring of global oil and gas markets.

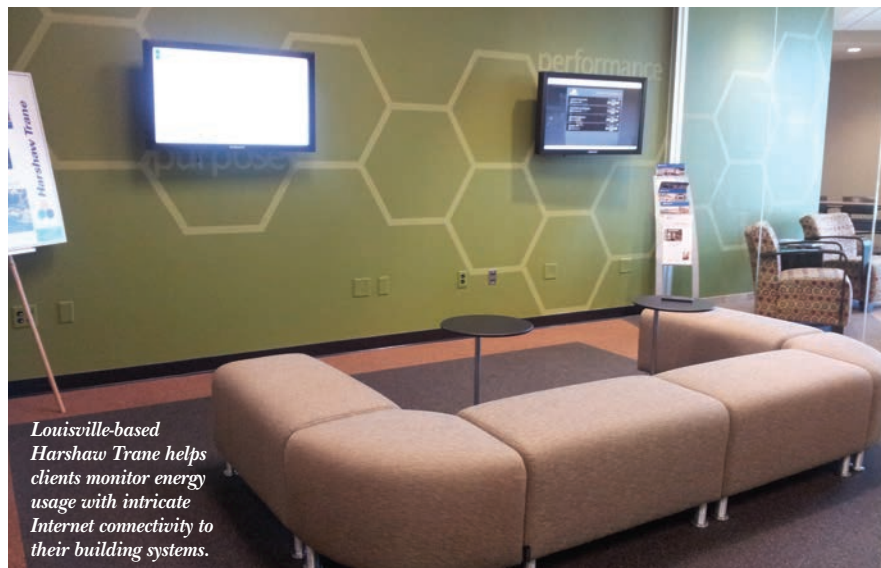
Today, with BAF reporting \$125 million a year in gross sales, Smith is quick to tout the benefits of fans, particularly big fans. First, large fans are more efficient at moving air around in a large space compared to multiple small fans. Second, as the company's website explains, the size of the fan rather than its speed allows it to move more air. This leads to the final superiority of large fans – a slow-moving motor uses less wattage than an army of smaller blades rapidly turning.

"On our largest fan, a 24-foot-diameter ceiling model, we use a 2.5-horsepower motor," Smith explained. "We can cool 30,000 s.f. of space for 8 cents an hour."

BAF, which owns a number of patents related to its products, won an innovation award from *Green Manufacturing* magazine earlier this year, which recognized the company's commitment to using recycled materials in its products and reducing energy costs. BAF's consumer models trim both winter and summer energy costs by working with HVAC to distribute air effectively, according to a press release.

"People look at our growth of 30 percent a year and think that's just about it," Smith said. "But I think we're just scratching the surface. That's why we spend an awful lot of energy and time on the engineering and product development side of the business." ■

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



Louisville-based Harshaw Trane helps clients monitor energy usage with intricate Internet connectivity to their building systems.

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Jill Stowe, Director of
Ag Equine Programs,
University of Kentucky



John
Nicholson,
Executive
Director,
Kentucky
Horse Park

Measuring Kentucky's Equine Industry

UK study finds a multibillion-dollar financial footing under a signature state economic sector

BY ANNE CHARLES DOOLIN

IT was some two decades in the making, but the United States Dressage Championships are finally a reality and will showcase top dressage horses and riders from all over the United States at the Kentucky Horse Park in Lexington Nov. 7-12.

Some 300 horses and riders, plus their respective entourages and fans, are expected for the event.

"It's been a long time coming," said George Williams, United States Dressage Federation president. "The concept was developed 15



George
Williams,
President,
U.S. Dressage
Federation

or 20 years ago. We have nine regional championships and wanted that to be well established, plus we were waiting for the economic climate to be right."

The dressage championship is just one of many new events the Horse Park has hosted in the last few years. The park underwent major infrastructure improvements and added new arenas and buildings leading up to the 2010 Alltech World Equestrian Games, which attracted competitors and fans from all over the globe.

"There have been so many improvements at the Horse Park, and we have our headquarters there, so holding this championship in Lexington was basically a no-brainer," Williams said.

Those improvements, and the business they have helped generate, have paid off in spades, said John Nicholson, the park's executive director.

"The Kentucky Horse Park contributes \$200 million annually in economic impact to the state," Nicholson said. "That translates to an estimated \$15 to \$20 million in direct taxes to the (state) general fund. Considering the park only receives \$2.4 million from the general fund, the Horse Park is a huge bargain."

The Kentucky Horse Park, while the epicenter for national and international events in the state, is just one segment of the equine industry and the satellite industries that feed it in regard to the impact on the state's bottom line.

It's been widely accepted that the commonwealth's equine industry is a major contributor to the state's economy. Just how great an impact now can be measured, after results from an extensive study were released in early September.

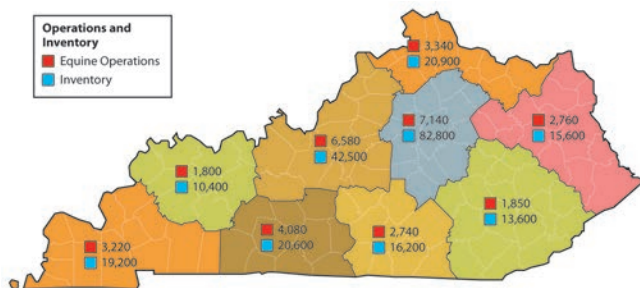
\$3 billion annual economic kick

The study, spearheaded by the University of Kentucky's Ag Equine Program, was the first of its kind in the state. The study showed the equine industry in Kentucky had a \$3 billion economic impact, and generated 40,665 jobs in 2012. Over 32,000 of those jobs were directly attributed to equine operations, with the remainder an indirect result of the equine industry. The breeding industry accounted for the largest number of jobs, with more than 16,000 people employed.

Additionally, the contribution in taxes by the industry was approximately \$134 million for the year.

"Every segment of the equine industry is important to the Kentucky economy," said Jill Stowe, director of Ag Equine Programs at the University of Kentucky. "Whether from a business or a hobby standpoint, the equine industry collectively makes a significant impact on the state economy."

Stowe, who was the lead on the study, said the total economic impact is mea-



sured by the output effect and is an estimate of revenues earned by the sale of goods and services related to the equine industry and its supporting industries.

The U.S. Department of Agriculture's National Agricultural Statistics Service and the Kentucky Horse Council were also involved in the study.

The Kentucky Horse Council is already putting the data to good use, said KHC Executive Director Susan Schneider.

"The study showed that the 'golden triangle' with the densest horse population is between Northern Kentucky, Louisville and Lexington," Schneider said. "I'd always felt that, but it was conjecture. We needed to see it concretely for strategic planning."

The Horse Council has already held two regional caucuses "to ask our equine community members what their needs are and what we can do to help them," she said. More are planned for next year.

There was a study conducted in 1977 to gauge Kentucky's horse population, but "it was an inventory study, and a 35-year difference makes it difficult to compare," said Stowe. "I really didn't have many expectations of what we'd find with this one."

The majority of horses in Kentucky, the UK study uncovered, are used for trail and pleasure riding with 79,500 falling into that category (see chart). Broodmares, 38,000 of them, account for the second largest segment of the equine population, followed by 33,000 horses listed as idle/not working. Competition and show horses are the next largest group at 24,500; then foals, weanlings and yearlings (23,000). There were 15,000 race horses and 12,500 in the work/transportation category, followed by 3,900 breeding stallions. The study categorized another 13,000 equine under "other activities."

"One thing that did surprise me was that horses used in the competition industry are getting close to the numbers used for breeding," Stowe said. "But we do have a lot of national and international competitions here. That also brings out-of-state and out-of-coun-

try visitors and money to the state that we wouldn't have otherwise."

Some of those visitors have decided to move their operations to Kentucky.

"Our facilities have attracted new and vital segments to the equine industry," Nicholson said. "Organization headquarters, new farms, trainers and riders have decided to move here permanently, and they are infusing a lot of capital here."

Equine assets top \$23 billion

"In 2008, the year before the major improvements were made at the Horse Park, we hosted 63 major events," he said. "This year we are approaching 90."

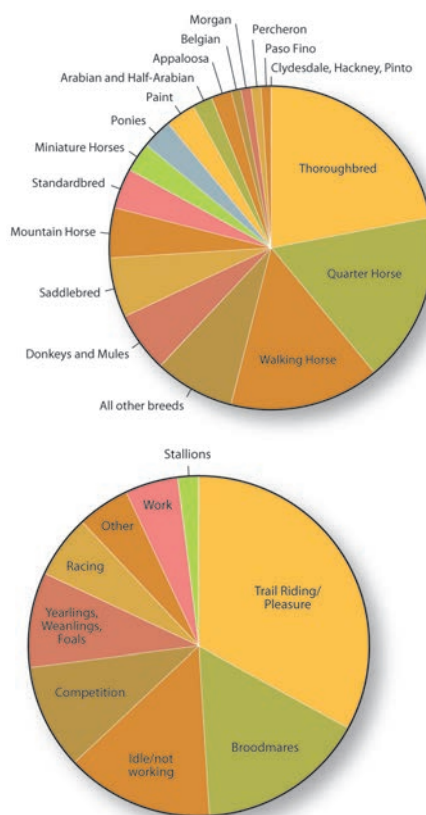
The first phase of the study was a survey of equine operations, and it found there are approximately 35,000 farms, arenas and other facilities in the state, with 1.1 million acres devoted to equine pursuits. An equine operation was defined as property where at least one equine was kept, and ranged from the backyard pleasure horse to large facilities housing hundreds of horses such as racetracks and breeding farms.

The total value of the 242,400 equine and equine-related assets was estimated at \$23.4 billion, and income for equine operations and equine-related sales in 2011 was some \$1.1 billion.

Expenditures that year totaled about \$1.2 billion. Capital expenditures were \$338 million of the total and operation expenditures (excluding labor), totaled \$839 million, with 77 percent of operating expenses staying in state.

Phase two of the study was analysis. The output effect due to the presence of the equine industry was measured at roughly \$3 billion for 2012. The value added effect (new income, profits and dividends) was calculated at \$1.4 billion.

The output figures did not include banking, legal, accounting or tourism impacts related to the equine study, nor did they include pari-mutuel wagering at Kentucky's racetracks. Racing's sector, even sans wagering, was estimated at \$1.28 billion. The breeding sector had



the second-largest slice of the pie, at \$710 million, followed by \$635 attributed to competitions, \$166 million from recreation, and \$194 from all other sectors.

"We learned what the entire equine industry looks like across the state, and we learned what a significant impact it has," said Stowe. "We broke it down into sectors, from the very large groups like the breeding sector, to people like me, the backyard horse owner who has one or two horses."

"Those of us in my group don't earn any income from our horses, but we spend money – a lot of money – on feed, tack, fencing and more. The aggregate shows we are also an important part of the industry." ■

Anne Charles Doolin is a correspondent for The Lane Report. She can be reached at editorial@lanereport.com.

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Governor's office photo

Gov. Steve Beshear greets Simpsonville Elementary School students during an August 2013 visit to announce \$41 million in "Race to the Top" grant funding to Kentucky school district co-ops.

What's Really Happening in Kentucky Schools

Gov. Beshear, Education Commissioner differ strongly with criticism of Common Core education standards

BY GOV. STEVEN L. BESHEAR AND COMMISSIONER TERRY HOLLIDAY

Editor's note: The Perspective opinion column published in the September issue of The Lane Report regarding the Common Core education standards adopted by 46 states prompted the offices of Gov. Steve Beshear and Commissioner of Education Terry Holliday to respond with their viewpoints about how the use of the standards is succeeding in Kentucky. The editors readily agreed to their request to submit an op-ed column providing another outlook on Common Core.

Stu Silberman, executive director of the Prichard Committee for Academic Excellence, the Kentucky based education reform advocacy organization, then notified us that, coincidentally, shortly after the September issue of The Lane Report came out, Time magazine published an article about Common Core and Kentucky's role as the first of 46 states in the nation to adopt the standards.

Common Core is described as a means to improve the competitiveness of U.S. students by teaching a narrower set of skills starting earlier in schooling careers so they can be learned more thoroughly – which critics consider an intrusive and expensive assault on local decision making.

Copyright restrictions prevent us from using direct quotations from the Time article, which is headlined in print "The New Smart Set – What happens when millions of kids are asked to master few things more deeply?" and online titled "What Every Child Can Learn from Kentucky – As schools adopt the Common Core, nationwide standards, they are drawing lessons from an unlikely pioneer."

The article depicts Kentucky as the nation's leader in ongoing education reform efforts to simplify curriculums and do a better job teaching the skills that employers say they most need and that the highest rated universities and colleges expect students to know.

LET'S hope Kentuckians recognize the recent Perspective op-ed regarding Common Core Academic Standards published in *The Lane Report's* September issue was an opinion piece full of inaccurate interpretations about Kentucky education.

Devoid of fact and research, the column parrots deceptive talking points routinely used in national partisan arguments without any attempt to discover what is really happening in Kentucky schools.

Rather than refute the column line by line, let's talk about Common Core from the point of view of Kentucky educators, students, taxpayers and businesses.

Since 2011, Kentucky public school educators have been teaching students using the Kentucky Core Academic Standards in English/language arts and mathematics. Known nationally as the Common Core State Standards, they define the minimum that students should know at each grade level.

Robust and relevant, the standards are aligned with both college expectations and the knowledge and skills that businesses say they need in order to compete in the global economy.

It's also important to remember that new standards were mandated in Kentucky by Senate Bill 1, the landmark legislation passed in 2009 after it became increasingly evident that graduates were not prepared to succeed in college or the workforce.

With that in mind, here are 10 important facts:

1. Common Core is working!

Since implementation of the Common Core, Kentucky has seen improved college/career-readiness and graduation rates, lower remediation costs and more successful transitions to college and career. These are tangible facts, not opinions.

2. Common Core leaves Kentucky in control of its standards.

Since Kentucky educators and the public helped develop the standards, we, as a state, helped determine what they cover – not politicians in Washington D.C.

3. Common Core empowers local school districts and teachers.

While the standards define what students are taught, teachers and local school districts still have complete discretion over



Gov. Steve Beshear



Education Commissioner Terry Holliday

how those standards are taught and what materials are used. Teachers develop the curriculum and resources that work best for their students.

4. Common Core standards are more challenging.

The new standards are more rigorous than Kentucky's previous standards and are on par with what is taught in leading countries around the world.

5. Common Core is great for students.

It promotes creative and critical thinking over rote memorization, and prepares students with the problem solving, collaboration, creativity and communication skills that the workplace demands.

6. Common Core is great for teachers.

The standards are clear, focused and easy for teachers and students to understand. In addition, common standards encourage teachers to collaborate, develop and share lessons and resources to better meet student needs.

7. Common Core is great for parents.

Because it is aligned with college- and career-expectations, students are better prepared for the demands they face after high school. College costs are reduced



Amy Wallot photo

Kentucky Education Commissioner Terry Holliday talks with 4th-grade student Maya Griffin and 5th-grade student Mary Wilson during U.S. Deputy Secretary of Education Tony Miller's 2012 visit to Picadome Elementary School in Fayette County.

because there is less need for costly, remedial, non-credit-bearing courses.

8. Common Core is great for business.

It equips students, our future workforce, with the skills that the workplace demands. A better prepared workforce attracts new business to the state and allows existing businesses to hire employees with less need for extensive training.

9. Common Core is great for taxpayers.

By working with other states to develop the Common Core, Kentucky was able to develop and implement the standards at a much lower cost. Plus, students who graduate college- and

career-ready are more likely to have a job and pay taxes, and less likely to be dependent on state-supported unemployment, welfare and health-care benefits or end up in prison.

10. Abandoning the Common Core will be extremely costly to Kentucky taxpayers and negatively impact educators and student outcomes.

Since Senate Bill 1 requires new standards, Kentucky could not simply return to prior standards. It would take \$35 million or more to develop, train and implement replacement standards. But the greatest cost would be to our teachers and students, who would be forced to abandon progress. ■



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Secretary Thomas Zawacki came to the Kentucky Education and Workforce Development Cabinet after 33 years in the private sector, most of it with Toyota Motor Manufacturing in Georgetown, Ky.

A Work-Ready Education Continuum

Linked processes from preschool to post-retirement create Kentucky's economic development outcome

Editor's Note: Thomas O. Zawacki of Georgetown was appointed secretary of the Kentucky Education and Workforce Development Cabinet and began July 1, 2013. He has 33 years experience in the private sector, including 22 years at Toyota, one of Kentucky's major employers. He was a member of the team that brought Toyota to Georgetown in 1987. Zawacki also held positions at Nissan Motor Manufacturing in Smyrna, Tenn., and Ford Motor Co. in Dearborn, Mich.

Zawacki served on the Kentucky Workforce Investment Board from 2009-2013, during which KWIB implemented the WorkSmart Kentucky to improve the workforce development system to better prepare and equip workers and serve employers. Prior to his appointment as secretary of the cabinet in July 2013, he served as commissioner of the department of vehicle regulation in the Kentucky Transportation Cabinet. This interview with originally appeared in the Kentucky Gazette.

Kentucky Gazette: Your background is in manufacturing administration and human resources, how does that qualify you to move into an administrative government job?

Zawacki: Everything that this cabinet is trying to do is continuous improvement, and it's also related to respect for people, which are two Toyota values and are a basis for everything I do, that I manage, that I'm responsible for. And this cabinet is primarily involved in the "education continuum" we call it – from pre-school to post-retirement, everything builds on the previous activity.

For example, we do preschool readiness checks; we have programs that are in place to develop children from birth till they start preschool; and we make (programs) available to various agencies and to parents who want to participate in those kinds of activities.

From there (children) go into pre-school, from there primary, when they need to demonstrate school readiness. And if they're not ready, we can focus on what the students' needs may be. From that point, of course, they go into secondary (school), and are they secondary ready? If they're not, then what skills do they need to develop? From secondary, the students decide, 'Am I going to go into the workforce? And if so, am I work ready? Or if I'm going to go on to college, am I college ready?'

So at every stage of the education continuum, it's building upon the skills and the capabilities and the know-how (of the students). ...

Once you're in the workforce, we have agencies and special relationships with, say, KCTCS, for example, where we can provide workforce training. Companies can come to us and ask for focused training in whatever skill they want their employees to learn, and we can help facilitate providing that kind of education. ...

My point in all that is, everything is based on a previous process, and the process is to improve the individual to be school-ready, work-ready or college-ready.

Gazette: You mentioned childhood education, and that's been a priority of Gov. Steve Beshear's. A report came out in 2010 from the Governor's Task Force on Early Childhood Development and Education, and I don't know that much has been done with the report's recommendations. Are there plans to pick that up for the governor and move that agenda?

Zawacki: Your timing couldn't be better. About three hours ago, I met with Executive Director Terry Tolan of the Early Childhood Advisory Council. She reviewed with me the draft of the updated report that she's about to deliver to the legislature and the governor, and other individuals. This is really neat stuff. I wish I could quote from it, but it's still in draft form. But watch for it; it'll be out soon, and it'll knock your socks off.

Gazette: It's going to be presented to the legislators at committee hearings during the interim?

Zawacki: I'm not sure what her distribution methodology is going to look like, but I think she'll submit it first to the Legislative Research Commission, and she'll present it to select education-related legislators, like education committee members. She'll obviously present it to the governor.

Gazette: You just started your job, but obviously you talked with the governor before he appointed you. What kind of conversation did you have about priorities for the cabinet? Of course, this is part of the executive branch, so you're helping him with his agenda. Other than early childhood, what are some other priorities the cabinet will be looking at?

Zawacki: I'm more involved in workforce development initiatives and programs to train workers and retrain workers, to provide resources to companies to develop their workforces, and a number of other things, like our Work Ready Communities project that the Kentucky Workforce Investment Board is heavily involved in. I served for four years on the Workforce Investment Board also, so I became familiar with the initiatives and who they were targeted for and what benefits could be derived for individuals or companies or the state itself.

Here's what I said to the governor: He said, 'What makes you think you're ready for this job?' And I said, 'Well, governor, I believe education and workforce development are joined at the hip, and if education and workforce development are done correctly, the result will be effective economic development. I have the insight and I believe I have the skills to help keep the companies that are in the state here and to attract additional business to the state as well. And the net result of that will be very strong economic development. But before we can have all that, we have to implement the tools necessary for that to happen.'

Gazette: In recent years, there's been a push to get students to go to college, but at the same time there's a shortage of workers trained in technical fields and skilled trades. This cabinet oversees both elements of that: the Department of Education, and its Office of Career and Technical Education. How do you work through the paradox of wanting more kids to go to college while there's a shortage in trades?

Zawacki: Well, I think to a certain extent we still need to do a lot of work in terms of mid-skill-level jobs. Kentucky's a huge manufacturing state, requiring jobs that are mid-skill level. And the (training) infrastructure is in place, with KCTCS and some of the other institutions that provide technical degrees or certificates. We need to find the right match between the demand and supply for jobs in that sector.

It is true that Kentucky wants to increase its level of college graduates or certificate holders. ... It is one of our objectives to have more students graduate not just from high school but from

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some technical program, two-year degree, then go on and get their four-year degree or even further. ...

We need a mass upgrade on the (perceived) value of two-year degrees and technical certificates. That education needs to occur with the students themselves; it needs to occur with the parents – because so many parents look down their noses at a technical degree or a two-year degree as not being valuable, when you can go out and make who knows how much as a welder after a two-year program at KCTCS. In addition to the students and the parents being educated, you've got to educate the (school) counselors, because the counselors are steering students away from careers that they would be able to get right into very quickly and be successful – and still continue their education if they so desire. ...

Gazette: How do you see all of this as contributing to economic growth for the state?

Zawacki: I think I can answer your question by talking about our sector strategies. We've developed a strategy based on various sectors or industries that we want to focus on in order to provide insulation for the state, first of all to provide very good, high-paying jobs so people have a sustainable wage, so we can increase the earning power and the prosperity of our citizens. And when you have a large segment of your state's population in good jobs, secure jobs, you see a reduction in crime rate, you see an increase in philanthropy, you see people getting involved in their communities, you see more stable families. So these are all philosophical kinds of things that you would see as a result of very effective economic and workforce development initiatives.

And these targeted sectors (automotive and aerospace; transportation, distribution and logistics; business services and R&D; healthcare and social assistance; and energy creation and transmission) are not only important to create good jobs that provide sustainable wages for families and their children, and their children's children, but they also can help offset fluctuations in the economy that the state would experience in a recession. Very diverse jobs.

When one industry begins to reduce, such as automotive, other industries are going to help weather the storm, and having a diverse sector-based economy like that will allow us to be more successful long-term with less peaks and valleys.

Gazette: I've noticed within each sector there's a range of jobs for varying skill levels. For example, in healthcare you might have a surgeon at UK and a CNA

providing home healthcare... Is that intentional?

Zawacki: It is. ... Each of those sectors has a variety of positions, all of which relate to the sector, but some may take more training and development and greater levels of skill and intelligence compared to other jobs. And your example is a good one. An aspiring physician will have a high skill level and be a high wage earner, but there are more than just doctors needed for that sector, and having an adequate number of people at each of the skill levels is very important.

Gazette: The 2014 session of the General Assembly is a budget session; it's a tight year for money. Can you talk a little bit about the cabinet's needs? Is there a legislative agenda set up yet?

Zawacki: Not yet. I've had a meeting with two or three other folks who are involved in developing the legislative agenda for both the cabinet and for those items that we would want on the governor's agenda. We're just at the draft stage.

I can tell you this: I've been trying to meet with the agency heads, and the No. 1 need is money. And it's so frustrating, because everyone needs more money; everyone's doing as good a job as they can, working on productivity increases, reducing manual work and reducing non-value-added work, and yet we still need money to fund the programs that we're mandated to provide. Some of which we're mandated to provide by statute, others are just the right thing to do. So, we want to implement some of those things, but you need money to do that.

We're still in the (economic) recovery period. Things are going to continue to be tight, and we're going to have to do as good a job as we can with the resources that we have. ...

Gazette: Has the federal sequester had any effect on your cabinet?

Zawacki: I can't give you any details, but that was one of the first questions that I asked: what affect the sequester had. It has reduced our revenue.

The significance there is this cabinet is funded primarily from the federal government, and we get matching funds from the state. So for every federal dollar we lose, we lose state dollars at the same time. It's not one-for-one; I think it's 60 to 40.

Gazette: How will you combat that?

Zawacki: We need to do everything possible to turn this economy around in Kentucky. Like I said earlier, education and workforce development are joined at the hip, and if we do this correctly, it

Kentucky Education and Workforce Development Cabinet

The cabinet is made up of 11 agencies whose collective purpose is helping all Kentuckians excel in life by promoting lifelong learning through school, work and other training opportunities.

- Commission on the Deaf and Hard of Hearing
- Department of Workforce Investment
- Kentucky Workforce Investment Board
- Commission on Proprietary Education
- Kentucky Department of Education
- Education Professional Standards Board
- Environmental Education Council
- Department for Libraries and Archives
- Kentucky Educational Television
- The Kentucky Center for School Safety
- Unemployment Insurance Commission

will create jobs, and it will cause companies to want to move here, and it will keep companies that are here, here.

Gazette: On the unemployment insurance trust fund, where do we stand with repaying the state's debt to the federal government? (As of July 10, the outstanding balance Kentucky owes the Federal Unemployment Account was more than \$624 million).

Zawacki: Good question. I can't give you numbers, but I can tell you we're ahead of schedule. We even had to take out a loan to pay the interest, and we're ahead of that payback schedule as well. Part of that is because the small but still significant increase in the economy ... has helped us.

There's also some good news there as well. We have the opportunity in the unemployment insurance process to improve our process, and this is where some of the continuous improvement comes in. We have a set of 61 improvement activities that we are beginning to implement that will help us reduce costs of administering the program, will improve the productivity. It will actually help improve employee morale by getting horrible work off their shoulders, and their jobs will be easier and less stressful, and it hopefully will cut the number of errors that are made, and reduce the amount of fraud that we experience. So these improvement activities are very exciting to us. ■

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COMPANY	PRODUCTS/SERVICES	HEADQUARTERED	# OF KY. LOCATIONS	EMPLOYMENT
United Parcel Service Inc. (UPS)	Package and freight distribution; logistics; sorting; worldwide air hub; warehousing	Atlanta	44	12,517
Toyota Motor Corp.	Automobile manufacturing; corporate headquarters; engineering; parts warehousing/distribution; parts manufacturing; vehicle preparation and dealer distribution	Japan	8	12,028
Humana Inc.	Health insurance administration	Louisville	15	11,836
Ford Motor Co.	Vehicle manufacturing	Detroit	2	8,491
Amazon.com	Product fulfillment and warehousing; distribution; customer service	Seattle	8	6,529
General Electric Co.	Manufacturing of major household appliances, aircraft engines, turbines, blades, vanes and pressed glassware; distribution; aircraft engine maintenance; customer service	Fairfield, Conn.	7	6,053
FMR LCC (Fidelity Investments)	Mutual funds, brokerage and retirement operations	Boston	1	3,900
Berkshire Hathaway Inc. (Fruit of the Loom, McCane Foodservice, Nationwide Uniform Corp., Campbell Hausfeld)	Fabric manufacturing; food and paper product distribution; security, police and postal uniforms; air compressor manufacturing	Omaha	7	3,380
Xerox Corp.	Back-office support, dispatch and customer service; business processing solutions	Norwalk, Conn.	10	3,374
J&F Participações S/A (JBS, Pilgrim's Pride)	Pork and poultry processing	Sao Paulo, Brazil	2	2,700
Lexmark International	Development, marketing, sales of printers and related supplies; digital information processes and applications	Lexington	1	2,656
Citigroup (Citigroup, Southern Graphic Systems)	Financial services; call center and collections; packaging artwork production, prepress and image carrier manufacturing	New York	4	2,607
Johnson Controls Inc.	Automotive parts manufacturing and service	Milwaukee	8	2,073
Akebono Brake Industry Co.	Automotive parts manufacturing	Japan	3	2,072
RR Donnelley	Offset printing, typesetting, binding; print, bind and ship magazines and catalogs for major publishers; commercial printing	Chicago	4	2,009
Itochu Corp. (Logan Aluminum, Akebono Brake, Denyo Manufacturing, Tri-Arrows Aluminum)	Aluminum rolled sheet stock; automotive parts manufacturing; aluminum products for can manufacturing industry	Tokyo, Japan	4	1,909
Lockheed Martin	Contractor logistics support – Department of Defense contract	Bethesda, Md.	1	1,867
Hitachi Ltd.	Automotive parts manufacturing, warehousing and distribution	Tokyo, Japan	3	1,815
eBay Inc.	Electronic commerce fulfillment and distribution; e-commerce marketing	San Jose, Calif.	5	1,738
Dana Holding Corp.	Automotive parts manufacturing	Maumee, Ohio	6	1,690
Tyson Foods Inc.	Chicken breeding; slaughtering, processing and packaging; feed manufacture and distribution	Springdale, Ark.	3	1,670
Martinrea International Inc.	Automotive parts manufacturing	Canada	2	1,602
Marfrig Alimentos SA (Equity Group)	Poultry hatchery/feed mill; fresh and frozen poultry	Sao Paulo, Brazil	2	1,550
Walmart Stores Inc.	Distribution centers	Bentonville, Ark.	2	1,532
Interstate Personnel Services Inc. (Paschall Truck Lines)	Trucking	Murray, Ky.	1	1,502

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EXPLORING KENTUCKY



Along with biking, hiking and equine trails, Dawson Springs has bluewater trails accessible by canoe and kayak on the Tradewater River.



Hit the Trails!

Connect with nature in Kentucky's first 'Trail Town'

BY KATHERINE TANDY BROWN

IN 1877, three years after the railroad town of Dawson began in Western Kentucky, boarding-house owner Washington I. Hamby was digging a well and hit a large vein of iron-laden water. But when he halted excavation, Irish laborers who had been drinking that water convinced him of its health benefits, and even helped him dig a cistern. In 1893, he again hit a strong mineral spring rich in different minerals while boring for water for a hotel he was building.

These two springs put what in 1898 became known as Dawson Springs on the map as a leading health resort in the upper South around the turn of the cen-

tury. Eight physicians moved to the town, each using varied combinations of mineralized waters to treat varied medical conditions. People who came from far and wide to "take the waters" stayed for weeks or months in one of its 22 rooming houses and several grand hotels, including the 150-room New Century Hotel, which featured mineral baths, steam baths and dancing in the evenings.

So widespread was Dawson Springs' reputation that – as the railroad to Florida was not then complete – the Pittsburgh Pirates held spring training from 1915-1917 at its downtown park, now named Riverside Park, and even the Yankees came there to play.

Continuing a history of embracing healthy living, on May 9, 2013 this town of 2,800, just four miles from Pennyryle Forest State Resort Park (PFSRP), was named Kentucky's first official Trail Town. With more than 100 miles of trails in Pennyryle State Forest – 50 miles for equine use, 30 for hiking and 30 for mountain biking – the designation came as no surprise to its mayor.

"In addition to sparking economic development through tourism, the Trail Towns program encourages our citizens and visitors to get out of doors and exercise," said Mayor Jenny Sewell. "It's no secret that Kentucky is one of the most obese states. Over 30 percent of its residents are obese, and that's way too high to maintain good health. Trail Towns help people connect with recreational resources that can help them get in shape."

Part of an effort to promote adventure tourism across the commonwealth, the Trail Towns certification program identifies destinations along long-distance trails and/or those near extensive trail systems that can include hiking, equine, water, rail or mountain-bike trails, from which users can explore intriguing scenery, commerce and heritage nearby. Linked though the series of trails, Trail Towns are hubs where people can meet at restaurants, local shops and maybe an ice cream parlor or bike shop. They must have friendly, welcoming residents and a clean, attractive, safe downtown, with bike racks, hitching posts, watering facilities, restrooms and overnight lodging.

"Dawson Springs offers so many opportunities so close by for all ages and fitness levels to be out in nature and get more fit," says Sewell

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Originally popularized in the late 1800s as a health resort, Dawson Springs attracts bicyclists and other health enthusiasts today.

Located in the heart of the Pennyrile region at the entrance to the state's Western Waterlands, Dawson Springs snuggles up to the 15,000-acre Pennyrile State Forest, rife with chances to spot birds and wildlife, and to fish, boat and hunt. In the middle of this woody splendor, PFSRP boasts a 24-room lodge and comfy cabins, a 58-acre boating lake with a white sand swimming beach, a golf course and a restaurant for sating active appetites. Hardy hikers can walk a 13-mile trail from Dawson Springs to the park.

The new Pennyrile horse camping development offers horseback riders eight pull-through sites and direct



access to the park's equine trails. Plans are in the works to build a mountain-biking skills-training area.

Surrounding Dawson Springs, the Tradewater Wildlife Management Area (WMA) spreads 729 acres and Jones

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EXPLORING KENTUCKY



Keeney WMA is nearly 2,000 acres. And on the Tradewater River, you can rent a canoe or kayak from a local outfitter and follow a Bluewater trail down one of Kentucky's eight major rivers.

Three miles from PFSRP, 800-acre Lake Beshear is a haven for largemouth bass. Come springtime, its banks are vibrant with wildflowers, beautifully visible from Hunters Bluff. Nearby lie rock caves, such as Saltpeter Cave, with a

waterfall flowing over it, and one of western Kentucky's few limestone arches to explore.

"It's a natural wonderland with rare plants and animal species," said Sewell. "There are seasonal bird migrations, sightings of eagles, lots of great blue herons on the water. And the spring wildflowers and fall colors are pure magic."

Check out dawsonspringsky.com to plan your trip and head to Western Ken-



Left: The Pennyrile Forest State Resort Park includes horse trails with campsites.

Above: Exploring the rock climbing trails around Dawson Springs, which has been designated Kentucky's first Trail Town, will bring surprises such as this waterfall in the Hunters Bluff area.

tucky for a bit of history and a slew of trails for nearly every interest. When you go, stop in the Dawson Springs Museum and Art Center to learn all about Mr. Hamby's springs and the town's earlier heyday. As the state's first Trail Town, a second healthful heyday is sure to follow. ■

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

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SPOTLIGHT ON THE ARTS

Central Appalachian Research Group to Host Citizens' Institute on Rural Design

THE Central Appalachian Institute for Research and Development (CAIRD) will host the Citizens' Institute on Rural Design (CIRD) Oct. 29-31 at the Center for Rural Development in Somerset. The goal of the three-day event is to integrate Eastern Kentucky arts and culture into existing community plans, raising awareness about the potential of artisans and craft industries to serve as an economic engine for a 54-county region.

The workshop will bring together local political leadership, tourism experts, arts organizations, cultural heritage experts and federal government officials. Registration is free at caird-connect.org.

Presenters for the event include Ed Barlow with North Star Destination Strategies; Berea Mayor Steven Connelly; Anne Gadwa Nicodemus with Metris Arts Consulting; June Holley, formerly with Appalachian Center for Economic Networks; and Linda Caldwell with the Tennessee Overhill Heritage Association. Interactive roundtable and action planning sessions will engage participants in lively discourse and encourage critical and creative thinking.

CIRD is a partnership of the National Endowment for the Arts, the U.S. Department of Agriculture and the Project for Public Spaces. CAIRD, based in Pikeville, is one of four CIRD workshop hosts for 2013 selected from a pool of national applicants. Others will be in New York, Texas and Florida.

Please contact Melanie Stevens at MelanieStevens@upike.edu for additional information.

Kentucky Cities Receive Federal Arts Funding for Community Projects

TWO Kentucky arts organizations are among 59 nationwide that will receive funding for creative placemaking projects through the National Endowment for the Arts (NEA) Our Town grant.

Covington Arts will receive \$50,000 for a community design project. Covington is one of six Kentucky Cultural Districts. Appalshop, working with the city of Jenkins, will receive \$150,000 to support a multi-pronged community arts project.

"Kentucky municipalities applying for and receiving support from the NEA are taking steps to actively strengthen their communities through the arts," said Lori Meadows, arts council executive director. "Creative placemaking projects are revitalizing cities small and large across the country. It's exciting to see that work happening in Kentucky."

In Covington, Covington Arts is partnering with American Sign Museum and Renaissance Covington for the CoSign initiative to commission local artists and professional fabricators to design, produce and install signs for local businesses.

In Jenkins, the grant will support creation of murals, a large-scale photographic installation and a walking tour that celebrates local cultural history.

Arts Events Around the State

2013 Governor's Awards in the Arts

Capitol Rotunda, Frankfort
10 a.m. Tues., Oct. 29
artscouncil.ky.gov
(502) 564-3757

Tedeschi Trucks Band

SkyPac, Bowling Green
7:30 p.m. Oct. 25
theskypac.com
(270) 904-1880

Air Supply

Paramount Arts Center, Ashland
8 p.m. Nov. 1
paramountartscenter.com
(606) 324-3175

Bela Fleck & Abigail Washburn

The Kentucky Center for the Performing Arts
Bomhard Theater, Louisville
7 p.m. Oct. 20
kentuckycenter.org
(502) 562-0100

"King Lear"

Actors Guild of Lexington
South Elkhorn Theatre, Lexington
Nov. 7-16
actors-guild.org
(859) 309-1909

Capturing the Art of Sport: Works by Kentucky Artisans

Kentucky Artisan Center at Berea
Through Feb. 22, 2014
kentuckyartisancenter.ky.gov
(859) 985-5448



The above rendering depicts a new \$5 million addition planned for the Living Arts & Science Center.

Mobile Planetarium Offers New Way to Experience Science

THE Living Arts & Science Center in Lexington will purchase a mobile digital planetarium with multimedia astronomy and space science programming thanks to a \$55,092 grant from the federal Institute of Museum and Library Services.

The mobile planetarium will become part of the Wonders on Wheels program that provides hands-on arts and science programs for schools and libraries across the state.

Additionally, the Living Arts & Science Center will break ground in spring 2014 on a \$5 million renovation and facility expansion that will include a planetarium, new classrooms, interactive exhibit spaces, a digital media studio, a teaching kitchen and expanded urban green space. The astronomy and space science programming it is acquiring via the IMLS grant will be used also in the new planetarium.

"Planetariums are a major tool in increasing science literacy, and for inspiring and educating people of all ages about our surroundings," said Executive Director Heather Lyons.

"We know that planetariums are often a place in which young people become enthused to follow a scientific career and we are so pleased that the Living Arts and Science Center will be able to increase our educational offerings and provide such a dynamic entry point for developing and inspiring students of science and life-long learners."

The center was the only Kentucky organization included in nearly \$30 million in recently announced IMLS grants to museums across the nation.



Lori Meadows is executive director of the Kentucky Arts Council.

Governor Touts Kentucky During Economic Development Trip

GOV. Steve Beshear recently spent nine days in Germany, Spain and Austria to showcase Kentucky's business-friendly climate and strengthen existing ties with European companies already operating facilities in the commonwealth.

European companies, which employ nearly 26,000 people across the commonwealth, have a strong presence in Kentucky, accounting for 170 of Kentucky's 400-plus foreign-owned firms.

"Kentucky has been very determined in its efforts to engage and attract companies seeking to locate or expand in the U.S., especially those from Europe and Japan. Our track record for success shows," Beshear said. "It is my goal to



Gov. Steve Beshear

continue to aggressively market the commonwealth's many business advantages to the international business community and to build upon the momentum we have cultivated."

Foreign direct investment has played an important role in boosting Kentucky's economy. In 2012, nearly 35 percent of all capital investment and almost 20 percent of new jobs announced in the manufacturing, service and technology industries were a result of foreign-owned enterprises.

So far this year, 10 new foreign-owned companies have announced plans to locate in Kentucky, including: Kayser Automotive Systems in Fulton; Dr. Schneider Automotive Systems in Russell Springs; Alpla in Bowling Green; and Hayashi Telempu in Frankfort. In all, nearly 13,400 new jobs and capital invest-

ments in excess of \$3.7 billion have been announced by foreign-owned companies during Beshear's administration.

To boost economic development leads from European companies, Kentucky opened an office in Hamburg, Germany, in the summer of 2011. During this trip, Beshear followed up on several business opportunities that have arisen thanks to the on-the-ground, in-country support designed to develop relationships with European business leaders.

"Kentucky is proving that it has the attributes, assets and quality business climate that globally minded companies are seeking," Beshear said.

Several of the governor's past economic development trips have directly resulted in foreign investments in Kentucky communities.

'Bucky' the Bugler Retires from Keeneland Post



Keeneland icon George "Bucky" Sallee, bugler at the historic race track for more than 50 years, recently retired to become Bugler Emeritus. Since he began playing his signature "Boots and Saddles" for the post parade and "Assembly" at post time in the early 1960s, Sallee has missed only one day, when his wife died on a Saturday in the early 1970s. She was buried on a Tuesday, when there was no racing, and Bucky returned to work on Wednesday. Keeneland honored the bugler for his service on opening day of the fall meet. Noted trumpeter Steve Buttleman has been named Keeneland's new track bugler.

Fruit of the Loom Donates \$100,000 to Relay for Life

BOWLING Green-based Fruit of the Loom recently donated more than \$100,000 to support the American Cancer Society Relay for Life's mission to save lives by finding a cure for cancer.

"The money given by Fruit of the Loom will help the American Cancer Society fight for every birthday threatened by cancer in every community," said Ayron Corbitt, Kentucky vice president of the American Cancer Society.

Relay for Life is the American Cancer Society's signature fundraising initiative with more than 5,200 events taking place annually across the nation. Fruit of the Loom is a national corporate team partner and is a top performing fundraising team in the society's mid-South division. Its recent \$101,401 donation was the company's corporate investment to Relay For Life, but employees at all levels of the company got involved with the cause by volunteering at local events and partnering with the society's CEOs Against Cancer Kentucky Chapter.

"Fighting cancer is everyone's business," said Rick Medlin, Fruit of the Loom's president and chief executive officer.

In May, the American Cancer Society kicked off its Kentucky Chapter of the CEOs Against Cancer program, a partnership aimed at improving the health of employees and communities. Medlin was among the founding co-chairs of the Kentucky chapter.

To learn more about Relay For Life and the CEOs Against Cancer Kentucky Chapter, visit cancer.org.



From left are: Ayron Corbitt, senior director hospital systems, American Cancer Society; Dennis Adams, senior director corporate partnerships, American Cancer Society; Marilee Forrest, area director, American Cancer Society; and Rick Medlin, president and chief executive officer, Fruit of the Loom Inc.

Owensboro Reshaping its Future

Staff photos



Owensboro continues its billion-dollar makeover and the evidence can be seen all over the city. Construction continues on several projects in the state's fourth-largest city, where investments over the past five years have generated an estimated economic impact of more than \$1 billion. Among downtown Owensboro's multiple construction projects is a \$3 million, 16,000-s.f. retail and residential building at Second and St. Ann streets called Court Place, above; and a \$47 million, 169,000-s.f. Owensboro Convention Center that overlooks the Ohio River. It is scheduled to open later this year.



Murray State Makes the Grade, Again

ONCE again, *U.S. News & World Report's Best Colleges* has recognized Murray State University among the top schools in the country. Murray State's consecutive streak of top rankings was extended to 22 years with the release of the 2013 *U.S. News Best Colleges* list. The university is seventh among top public regional universities in the South.

Murray is the only Kentucky regional public university among the South's top 20 private and public schools, and ranks 11th for public regional university in the nation, up three spots from last year's rankings.

"The 2013 rankings continue a long-standing and independent, third-party verification of the high quality teaching and learning that MSU provides to our students," Dr. Randy J. Dunn, president of Murray State University, said. "This particular report – not just because it serves as the gold standard of the higher education rankings, but also because a good deal of it rests upon our reputation with peer institutions – additionally demonstrates that our national colleagues recognize the level of outreach we provide to our region, the commonwealth, nation and, indeed, the world."

U.S. News Best Colleges, a well-known college rankings guide, examines accredited four-year schools in a comparison of accepted indicators. Regional schools are scored in the weighted areas of peer assessment (25 percent), graduation and retention rates (25 percent), faculty resources (20 percent), student selectivity (15 percent), financial resources (10 percent) and alumni giving (5 percent).

The Internet in Kentucky: Life in the Slow Lane

THE Internet has become an important source of information for employment, health, news, entertainment and shopping. While many of these activities can be easily performed with a basic level of broadband speed, an increasing number of applications and activities – such as distance learning – require high-speed broadband to perform adequately.

Only a handful of Kentucky counties, which include about one-half of the state's population, are nationally competitive with respect to high-speed Internet infrastructure and utilization, according to a new analysis by the University of Kentucky College of Communication and Information and the Gatton College of Business and Economics' Center for Business and Economic Research (CBER).

A basic level of broadband speed is not sufficient for many important applications. Distance learning, for example, requires a minimum 25 mbps download speed for an "OK" experience and 50 mbps for a "good" experience, according to a study sponsored by the U.S. Small Business Administration. While federal data show that 82 percent of U.S. households have access to at least 25 mbps, only about 61 percent of Kentucky households have access to 50 mbps.

The UK researchers categorized each of Kentucky's 120 counties into one of four groups: Nationally Competitive (18 counties), On the Cusp (24 counties), Frustrated Surfers (33 counties), and the Information Highway Slow Lane (45 counties). More than 85 percent of the 102 counties that are not "Nationally Competitive" have household broadband rates below the U.S. average.

Recent proposals by the Kentucky Council on Postsecondary Education (CPE) for improving access to high-speed Internet in Kentucky include the creation of "E-Learning Centers" – schools, libraries and nonprofits where individuals would have after-hours access to the Internet. Providing free access would overcome the cost barrier, but the researchers' results show there are important education as well as income barriers to household broadband adoption. Kentuckians with at least a bachelor's degree are 1.3 times more likely to have broadband at home than those with a high school diploma, 79 percent compared to 60 percent.

KENTUCKY PEOPLE

CLERMONT: JIM BEAM DISTILLERY SERVES UP BOURBON-BASED MENU AT NEW FRED'S SMOKEHOUSE



Frederick "Fred" Booker Noe III (at left), a seventh-generation master distiller and great-grandson of Jim Beam, offered a toast to guests at the recent grand opening of his new namesake restaurant, Fred's Smokehouse. The café is located adjacent to the Jim Beam American Stillhouse on the grounds of Beam's flagship distillery in Clermont and features menu items such as Devil's Cut pulled pork barbecue, bourbon-baked beans and chocolate bourbon pie with Graeter's Jim Beam Bourbon ice cream. Joining Booker at the grand opening was his son Frederick "Freddie" Booker Noe IV (above, right).

FRANKFORT: ALLTECH/KSU ALLIANCE FOCUSES ON SUSTAINABLE FARMING



Representatives of Alltech and Kentucky State University recently gathered at the Kentucky State University Research and Demonstration Farm in Frankfort to sign an agreement to form a sustainable farming alliance. Alltech is investing \$75,000 a year to fund research on sustainable farming techniques and modern farming models at Kentucky State. "This farming-focused alliance will position Central Kentucky at the forefront of sustainable agriculture and aquaculture, arguably two of our world's most significant challenges," said Dr. Karl Dawson, chief scientific officer at Alltech. Pictured from left to right are Dr. Teferi Tsegaye, dean of KSU's College of Agriculture, Food Science and Sustainable Systems; KSU president Mary Evans Sias; Alltech founder and president Dr. Pearse Lyons; and Dr. Karl Dawson, chief scientific officer for Alltech.

LOUISVILLE: KY FRANCHISEES INTRODUCE PIE FIVE TO BLUEGRASS PIZZA LOVERS



Pie Five Pizza Co., recently named as one of 2013's top 50 restaurant brands by FastCasual.com, has awarded 10 franchise units to Lonnie and Connie Young and Curt and Carrier Currell, who plan to bring the concept to the greater Louisville and Lexington markets. Pie Five restaurants let guests choose from more than a million combinations of handcrafted pizzas and one of four different crusts, prepared in less than five minutes. Pictured here at the franchise agreement signing are, from left, Pie Five CEO Randy Gier, Lonnie Young, Curt Currell and Pie Five Chief Development Officer Madison Jobe. Young says he plan to have the first restaurant open in Louisville no later than the first quarter of 2014.

LOUISVILLE: CONNECTED NATION'S FERREE ADDRESSES GOVERNORS ASSOCIATION



Connected Nation, a national technology nonprofit organization headquartered in Bowling Green, took part in the Southern Governors' Association (SGA) Annual Meeting last month, where Connected National President and Chief Operating Officer Tom Ferree addressed the group to highlight the important role that broadband plays in growing the regional prosperity of Southern states. Pictured here are (from left) Ferree, Missouri Gov. Jay Nixon, Arkansas Gov. Tom Beebe and Kentucky Gov. and 2013 SGA Chair Steve Beshear.

LEXINGTON: BATES SECURITY IS NAMED CITY'S 2013 SMALL BUSINESS OF THE YEAR

Bates Security/Sonitrol of Lexington was honored last month by Commerce Lexington as the 2013 Small Business of the Year, an award that recognizes businesses for exceptional company operations, products and services; growth; response to adversity; and other unique aspects that set the business apart from its competition. The family-owned business will now have the opportunity to be considered by the Bluegrass Small Business Development Center for state and national recognition through the U.S. Small Business Administration. Pat and William "Sonny" Bates (at right) started their business in 1984 and now operate it with their sons, Bryan (far left) and Jeremy.



EXPLORING KENTUCKY'S TREASURES



All-new adventures begin this month.



LOUISVILLE LIFE

KET Saturdays • 7:30/6:30 pm
KET2 Thursdays • 7:30/6:30 pm

KENTUCKY LIFE



KET Saturdays • 8/7 pm
KET Sundays • 4/3 pm



KENTUCKY COLLECTIBLES

KET Sundays • 3:30/2:30 pm beginning Oct. 20
KET2 Mondays • 9/8 pm beginning Oct. 21

KET

KET.org  

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LG&E and KU's "My Account."**

Pay your bill.

Report outages.

Conduct a Home Energy Analysis.

Sign up for paperless billing.

Submit service requests.

Review billing summaries.

