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**Coal-reliant Kentucky begins the multiyear process
to implement new power plant carbon regulations**

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LANE ONE-ON-ONE:
ELIZABETH MCCOY
President/CEO, Planters Bank



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PERSPECTIVE

A GOLDEN ERA FOR EDUCATION

Innovating businesses
require smart workers

BY ED LANE

THE U.S. business environment is always adjusting to market competition and continually in a state of flux. The dominant trend in today's economy is for businesses to focus on creating the highest quality and most innovative products and exporting them to consumers around the world. This trend affects many of our state's top corporations and smaller enterprises. In order for Kentucky to develop and manufacture high-quality products and compete globally, a well-educated workforce is essential.

In a June 2014 One-on-One interview with *The Lane Report*, Kentucky Gov. Steve Beshear said, "A quality workforce is the No. 1 priority of every CEO I talk to, and I talk to a lot of them. Companies already in Kentucky that are looking to expand and grow as well as the companies the state is recruiting to move to Kentucky, I ask them, 'How can we help you?' And while every one of them will say tax incentives, tax structure and location are important, the top priority is a qualified, skilled workforce that can do their jobs, produce their products, deliver on time and create high quality. And that has spurred us to reemphasize developing a quality workforce here in Kentucky. Our community and technical colleges, our universities and our high schools are working together so much better than they have in the past.

The state is also beginning to develop apprenticeship programs. Many European countries, Germany in particular, have long-established apprenticeship programs where high-school students can choose to go into a program where they actually work part-time for the company. Students get paid for the work they do and go to school at the same time. There's a rigid academic curriculum as well as a technical curriculum. And at the end of their course of study, they receive a certification recognized throughout that country. Most of the students stay with the company where they apprenticed."

At the recent Global Cities Initiative Conference held in Louisville and

sponsored by the Brookings Institution and JPMorgan Chase, the theme presented by economic development leaders from diverse metropolitan areas and different sectors – private, public and nonprofit – was to collaborate in order to effectively compete in a global economy.

At the conference, Bruce J. Katz, Brookings' vice-president and co-director of the Metropolitan Policy Program, emphasized, "Louisville and Lexington (members of Bluegrass Economic Advancement Movement) were good examples of collaborating to compete. In a globalized economy, traditional boundaries and antiquated rivalries don't cut it. Exporting high-quality and innovative products to a global market is the future of the U.S. economy."

Kentucky employers, state and local governments, high schools and postsecondary educational institutions are already initiating programs to train students for positions in advanced manufacturing, research, technology, innovation, science and engineering. In order for Kentucky to continue as a leader in economic development, a large and well-educated pipeline of high school, college and technical school students will be needed to fill the strong demand for employees.

Many of Kentucky's companies have developed "earn and learn" programs, facility tours, scholarships and internships to attract new employees. Education and workforce development are top initiatives as businesses place a high emphasis to recruiting and creating a quality workforce for their operations.

The demand for an educated workforce is likely to increase wages, accelerating students' ability to earn a good return on their educational investments. "Earn and learn" programs may also substantially reduce educational expenses for many students.

In order for companies to innovate, offer quality products and successfully compete globally, a robust supply of talented, productive workers is a critical ingredient. The economic future for Kentuckians may ultimately be defined as "a golden era for employment and educational opportunities." Kentucky's economic success is definitely linked to how well the state's next generation of workers is educated. ■



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

21 TO 1 STUDENT/TEACHER RATIO

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FAST LANE

A compilation of economic news from across Kentucky

LEXINGTON: LACK OF BROADBASED SUPPORT CAUSES MAYOR TO SUSPEND \$350M RUPP ARENA RENOVATION



An architect's rendering of the proposed renovations to Rupp Arena.

LEXINGTON Mayor Jim Gray announced June 18 that work on the project to “reinvent” **Rupp Arena** and build a new convention center was being suspended, citing the **University of Kentucky**’s withdrawal of support for a proposed annual \$10.7 million lease at Rupp that would begin in 2018.

The plan to renovate Rupp lacked widespread community support. A recent survey of Fayette County voters con-

ducted by the Lexington-Bluegrass Association of Realtors revealed nearly 70 percent did not agree with taxpayer-funded renovations to Rupp Arena.

The project did not gain Lexington-Fayette Urban County Council approval, and the Kentucky General Assembly withheld approval for \$80 million in bonding authorization after a Bluegrass Poll found a lack of backing by state taxpayers.

In a letter sent to **Lexington Convention Center** Chairman Brent Rice in late May, UK President Eli Capilouto cited financial plan changes and uncertainties and said the university did not support moving forward with the proposed \$350 million renovation.

“At this time, there is not sufficient public support for committing over \$350 million in state, city and other funds to a basketball arena and convention center when there are so many well-recognized educational, economic, retirement and health-care needs across Lexington and the Commonwealth of Kentucky,” Capilouto wrote.

In subsequent meetings with Gray and Gov. Steve Beshear, UK discussed a much smaller project, with perhaps 10-15 percent of the university’s original investment in the project under the lease, Gray said. Both Gray and Beshear said they continue to believe the original project remains the most beneficial for Lexington.

“The (original) plan addressed the declining competitiveness of the arena and convention center,” said Gray, arguing that the original proposal would have created permanent jobs and opportunities for Fayette County and the region.

LEXINGTON: KEENELAND SELECTED TO BE HOST SITE OF PRESTIGIOUS BREEDERS’ CUP CHAMPIONSHIP FOR 2015

KEENELAND has been selected to host the **2015 Breeders’ Cup World Championships**, one of Thoroughbred racing’s most prestigious international events. It will be the first time the iconic track serves as host of the event.

“We are excited and energized by the support from the local community and the breeders of Central Kentucky who have been such a vital part of our program since its inception,” said Bill Farish, chairman of the Breeders’ Cup, which is headquartered in Lexington.

Each April and October, top owners, trainers and jockeys converge at Keeneland to compete for some of U.S. horse racing’s richest purses. Keeneland also is the world’s premier Thoroughbred auction house, attracting a global clientele to its four annual sales.

The 2015 Breeders Cup event will be held Oct. 30-31, just prior to the Keeneland November Breeding Stock Sale. More than 7,000 temporary premium seats along with dining and hospitality areas will be added to the current Keeneland capacity.



STATE: LOUISVILLE, STATE EARN HIGH MARKS FOR BEING BUSINESS FRIENDLY

LOUISVILLE has been ranked as the fifth friendliest city in the country for small businesses, according to the results of a survey of 12,000 entrepreneurs conducted by **Thumbtack.com** and the **Ewing Marion Kauffman Foundation**. In addition, the annual **Small Business Friendliness Survey** gave Kentucky an “A” rating, up from its grade of B- in 2013, making the commonwealth the most improved state in the small-business survey.

Louisville earned six A+ grades and four A grades out of the 11 categories in the survey.

According to the survey results, the city has the friendliest zoning regulations in the nation and its regulatory friendliness was rated fourth in the country. Fifty-seven percent of business owners in Louisville said they paid “the right share of taxes.”

“Kentucky recognizes that small businesses are the backbone of our economy,” said Gov. Steve Beshear. “That’s why we’ve focused on developing innovative programs and offering dynamic services to help these growing companies every step of the way. It’s no surprise we’re producing great results.”

To assist Kentucky’s small businesses, the **Kentucky Cabinet for Economic Development** created the **Office of Entrepreneurship** last year to enhance the state’s existing efforts to help businesses at every step of the growth cycle. Assistance can range from funding initiatives, marketing and sales assistance, small-business advocacy and resource referrals, along with a variety of financial and incentive programs to encourage investment and job growth. All services are provided free of charge.

The office also oversees the **Kentucky Innovation Network**, a statewide network of 13 offices that helps entrepreneurs at any stage and works with them to plan, build and launch their business.

Kentucky earned a grade of A- for its overall small-business friendliness but small-business owners across Kentucky gave the state a C+ grade for the friendliness of its regulations.

The top-rated cities overall were Colorado Springs, Colo.; Boise, Idaho; Houston and Austin, Texas. The lowest-rated cities were Sacramento, Calif.; Providence, R.I.; Buffalo, N.Y.; Bridgeport, Conn.; and San Diego.

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FAST LANE

BUSINESS BRIEFS



National Corvette Museum photo

BOWLING GREEN

■ The number of visitors to the **National Corvette Museum** in Bowling Green has skyrocketed following a freak incident in February, when a massive sinkhole swallowed eight of the museum's prized vehicles. Attendance has been up nearly 50 percent over the same time period in 2013. Based on the interest in the sinkhole and the resulting damage, museum officials

have decided to leave the sinkhole for the summer and delay reconstruction of the site until after the museum's 20th anniversary celebration Aug. 27-30. More than 6,500 Corvette enthusiasts are expected to attend the anniversary event.

CYNTHIANA

■ The Kentucky Transportation Cabinet has awarded a \$1 million grant to the **Cynthiana-Harrison County Airport Board** that will be applied toward work on a new 2,757-foot taxiway parallel to the existing runway. Once complete, the new taxiway will allow airplanes to safely exit the runway and taxi back to the parking area, freeing space for incoming aircraft and parked aircraft. The new taxiway is expected to be complete by 2015.

EASTERN KENTUCKY

■ The **Eastern Kentucky Concentrated Employment Program** has received \$7.5 million in federal funds to continue the agency's efforts to support families impacted by layoffs in the region's coal industry. EKCEP's Hiring Our Miners Everyday (H.O.M.E.) initiative provides re-employment services to out-of-work miners and their spouses. As of mid-June, nearly 2,000 people had enrolled for assistance through H.O.M.E. Nearly 900 people have gained new employment and more than 600 are in job training.



Hiring Our Miners Everyday

■ A website that supports the **Shaping Our Appalachian Region** (SOAR) initiative – a public-private endeavor to improve the overall economy and quality of life in Kentucky's Appalachia region – is now available for the public. The new website – soar-ky.org – offers access to the latest news, meeting information and ongoing work through archived reports, data, media and presentations from meetings and events.

ELIZABETHTOWN

■ **Soudal Holding NV**, an international adhesive and sealant manufacturer, has announced that it will acquire **Accumetric LLC** in Elizabethtown and plans to invest more than \$21 million to expand the 200,000-s.f. facility and upgrade the plant's technology. Accumetric, which manufactures, packages and markets adhesives, sealants and lubricants, will continue to operate the Elizabethtown facility under the Accumetric name. Soudal said all 85 jobs will be retained as well and plans call for another 77 positions to be added. The Elizabethtown facility will serve as the North American headquarters for the Belgium-based company.

FLORENCE

■ **Gateway Community and Technical College** has signed an agreement with **Bismarck State College** in North Dakota that allows Gateway students who earn an associate in applied science degree in energy technologies to transfer to BSC's online bachelor of applied science degree in energy management. The Gateway energy technologies degree prepares students to work as entry-level utility apprentices, groundpersons, transformer/relay technicians, utility line technicians, outside plant technicians, smart-grid technicians, assistant controls system technicians, residential energy auditors, energy managers and solar/photovoltaic installers. The BSC bachelor's program, which is offered entirely online, builds on that foundation and is designed for people who are interested in supervisory and management positions in the energy industry. According to the **Bureau of Labor Statistics**, such positions in the Northern Kentucky/Greater Cincinnati area can pay an average of \$80,000 to \$100,000 a year.

SHELBYVILLE: DIAGEO WILL INVEST \$115M TO BUILD SHELBY COUNTY DISTILLERY

DIAGEO is investing \$115 million over three years to build a 1.8 million proof gallon distillery and six barrel-storage warehouses in Shelbyville.



The Diageo family of brands

The company is purchasing 300 acres of property in Shelby County for the new facility, where it will distill a number of current and future Diageo bourbon and North American whiskey brands. Diageo brands include **Johnnie Walker**, **Crown Royal**, **Smirnoff** and **Baileys**, among numerous others. Once the facility is operational, Diageo anticipates having a workforce of around 30.

"This proposed investment in Shelby County, in the heart of Kentucky bourbon country, will cement our commitment to expanding our share of the American whiskey category," said Larry Schwartz, president of Diageo North America, noting that the new distillery will build on the company's presence in Kentucky.

Earlier this year, Diageo announced that it would open a visitor's center at its **Stitzel-Weller Distillery** in Louisville.

Over the past year, Diageo's momentum in the North American whiskey market has accelerated with both flagship and new brands. Fueled by flavor innovations and consumer demand for premium brands, bourbon is currently the fastest growing U.S. spirits category, enjoying 14 percent value growth over the past year. That popularity is mirrored globally, with the super-premium price segment growing 24 percent over the past three years.

STATE: MOODY'S INVESTORS SAYS KY'S FINANCIAL OUTLOOK HAS STABILIZED

MOODY'S Investors Service revised the outlook for the Commonwealth of Kentucky from negative to stable in an analysis released on June 11 and said the commonwealth's financial profile has improved following the economic downturn. However, large pension liabilities remain a source of credit pressure and despite the stabilized ratings, Kentucky's credit profile remains below average compared with most other states.

Key factors in the outlook change include:

- The budget adopted for the fiscal 2015-16 biennium shows near structural balance following state actions to reverse weak trends. General Fund revenues have risen annually since fiscal year 2011, and structural imbalance has decreased to about 4 percent of projected revenues, compared to over 23 percent in fiscal 2010.

- Kentucky has undertaken modest pension reforms. Recent legislation reduces benefits for new hires and requires full funding of the annual required contribution for the general employee retirement system. But the legislature failed to pass reform for the teachers' system and the state's ratio of adjusted net pension liability to revenues remains third highest in the nation.

- Debt levels will remain high. Commonwealth debt as a percentage of personal income (5.7 percent) is more than double the 2013 state-sector median.

- With **Ford** and **Toyota** two of the state's largest employers, pent-up demand for automotive purchases bolstered the economy from 2009-12.

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BUSINESS BRIEFS

GEORGETOWN

■ On average, American's drove away in a new **Toyota Camry** every minute during the month of May, according to the latest sales figures from Toyota. The popular sedan is built at Toyota's Georgetown plant.



Forcht operates 30 banking centers in 12 Kentucky counties and has assets totaling \$938 million. Financial details of the acquisition have not been disclosed.

GRANT COUNTY

■ **Forcht Bancorp Inc.** has reached an agreement to acquire all the outstanding shares of **Grant County Bancorp Inc.**, the Williamstown-based holding company of **Grant County Deposit Bank**. Grant County Deposit Bank has five locations and total assets of \$79 million. Lexington-based

LEXINGTON

■ **Republic Bank & Trust Co.** will anchor the first floor of a 10-story office building in the **CentrePoint** development, a project currently under construction that covers approximately two acres in downtown Lexington. Also included in the CentrePoint project are an 11-story **Marriott** hotel, with an additional seven floors containing 23 condos; a separate Marriott extended-stay hotel with 90 apartments atop; a **Jeff Ruby's** steakhouse; retail shops; and an underground parking garage.

■ The **University of Kentucky's Sanders-Brown Center on Aging** has been selected to participate in a landmark multi-center clinical trial of an experimental drug that has the potential to prevent Alzheimer's disease. The A4 Study will recruit 1,000 participants ages 65-85 to test an amyloid antibody that may prevent memory loss caused by Alzheimer's disease. Amyloid is a protein normally produced in the brain that can build up in older people, forming plaque deposits in the brain. Scientists believe this buildup of deposits may play a key role in the eventual development of Alzheimer's. Sanders-Brown is the only center in Kentucky to participate in the study.

■ **American Airlines** is now offering nonstop flight service between **Blue Grass Airport** and **Philadelphia International Airport**. The flights are scheduled three times per day and are operated by **US Airways Express**.



LOUISVILLE

■ **Spalding University** is now offering a master's degree in athletic training, an entry-level professional program that offers admission at the bachelor and master's levels. Because no prior experience is necessary, the program provides a gateway for students and professionals outside of the field to become athletic trainers. Students in the program will be prepared to practice in a diverse range of settings, including hospitals, clinics, athletic programs, physician offices and manufacturing and industrial workplaces.

■ **Advanced Cancer Therapeutics**, a privately held Louisville company that focuses on bringing new anti-cancer therapies to market, has begun clinical trials of a potential treatment for melanoma, lung, colon, breast and pancreatic cancer. The first clinical trial site opened in May at the **University of Louisville's James Graham Brown Cancer Center** and a second site has since opened at **Georgetown University Medical Center** in Washington, D.C.



■ **Copper & Kings American Brandy Co.** has opened in Louisville's Butchertown neighborhood, becoming the state's first and only distillery devoted exclusively to brandy. Copper & Kings is the brainchild of Joe and Lesley Heron, who came to Kentucky for a distilling class at the **Distilled Spirits Epicenter** and chose to make Louisville the home base for their newest venture after selling their successful **Nutrisoda** to **PepsiAmericas** and **Crispin Cider** to **MillerCoors**.

LOUISVILLE: FALLS CITY & OLD 502 TEAM UP TO CREATE 'CRAFT BEER/WINE BLOCK'

OLD 502 Winery, Kentucky's only urban winery, and **Falls City Brewing Co.** have joined forces to combine the synergies of the two Louisville companies and create a new craft beer and wine destination at the current location of Old 502 in downtown Louisville.

John Neace, owner of Old 502 Winery, has become an equity partner in Falls City Brewing Company. David Easterling, who reintroduced the Falls City brand four years ago, will remain chief executive officer of Falls City.

The companies' \$1 million renovation project will double the winemaking capacity for Old 502 and relocate Falls City's production facility and tasting room that is currently located on Barret Ave. in Louisville.

The 35,000-s.f. complex will span multiple buildings and feature both wine and beer production facilities, tasting rooms and indoor and outdoor event spaces. In addition to wine tastings and bottle purchases now available at Old 502, visitors to the new craft beer and wine hub will also be able to enjoy a pint, take home a growler or sample some special-edition and experimental Falls City brews. The venue can also accommodate wedding receptions and large meetings.

The renovated facility is expected to be complete later this summer.

"We're creating Louisville's craft beer and wine block," said Neace. "We believe this facility can be a hub for both beer and wine lovers, and also serve as a catalyst for not just our two brands, but for this part of town as well."

Neace said long-term plans for Falls City include moving the production and bottling that currently takes place in Nashville to Louisville.



The Old 502 Winery and Falls City Brewing Co. have partnered to create what they hope will become a craft beer and wine destination point in downtown Louisville.

STATE: NEW LAWS REQUIRE COMPANIES TO TELL CONSUMERS OF SECURITY BREACH

GOV. Steve Beshear has signed into law two bills that increase reporting requirements of **electronic data breaches**, outlining how public and private entities notify individuals when sensitive and personally identifiable information may have been illegally accessed.

House Bill 5 applies to public agencies such as city, county or state governments, K-12 school districts, universities and other entities such as commissions. House Bill 232 relates to any person or business that conducts business in the commonwealth. Both bills were approved during this year's legislative session.

Both laws stipulate the process organizations must take to notify customers, the public, and consumer reporting agencies and credit bureaus on a timely basis. If the breach involves a public agency, HB 5 also requires the **Kentucky State Police**, auditor of public accounts, attorney general, Kentucky Department of Education or Council on Postsecondary Education be notified, depending on the public entity involved.

Personally identifiable information includes such things as name, Social Security number, passport or driver's license numbers and credit/debit card numbers with passwords.

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FAST LANE

BUSINESS BRIEFS

LOUISVILLE

■ To help meet the high demand for welders in the Louisville area, **Sullivan College of Technology and Design** has formed a partnership with the **Jefferson County Public Schools** to offer welding training and education courses this summer. The 11-week courses are designed to prepare students and graduates to sit for the **American Welding Society Certification** exam. A recent report by the **Federal Reserve Bank of St. Louis** noted that Louisville's manufacturing employment is outpacing U.S. manufacturing growth and according to **Kentuckiana Works**, Greater Louisville's workforce investment board, the number of welding jobs in the Louisville area is expected to grow 14 percent by 2020.



Green Kentucky Home," located in Prospect, Ky., is Kentucky's first LEED Platinum home and was also designed and built for net-zero water use and net-zero waste. Architect Clive Pohl of Lexington-based **Pohl Rosa Pohl** and sustainability consultant Sanyog Rathod of **Sol design + consulting** of Cincinnati were also integrally involved in the project.

■ A home designed and built by Louisville-based **GCCM Construction Services** has been selected as the U.S. winner in the **Saint-Gobain Gypsum International Trophy Competition** for its creative use of gypsum products and will be one of only two projects to represent North America at the international awards ceremony this month. GCCM's "My

MIDWAY

■ **Midway College** has added several new academic programs, including a bachelor degree in criminal justice, a bachelor of business administration in accounting, a bachelor of arts in integrated marketing communication and a master of education teacher leader program. In addition, the bachelor of arts in sports management program will now be offered online. The new academic programs are part of the college's three-year strategic plan, which calls for the addition of new academic programs to support enrollment.

NEWPORT

■ **New Riff Distillery** has opened in Newport, becoming the newest addition to the state's growing micro-distilling industry. The distillery's brands will include a Kentucky Straight Bourbon Whiskey sourced from local grains, rye whiskey and gin. New Riff is part of the **Kentucky Bourbon Trail Craft Tour** and will offer free on-site tours and educational programs.

■ The *Cincinnati Business Journal* reports that **Capital Investment Group** has signed an agreement for construction of a new development next to **Newport on the Levee**. The Cincinnati-based firm has contracted with Louisville-based **Musselman Hotels** to build and operate a 150-room hotel for the \$80 million project, which will also include 230 apartments, retail space and an 820-space parking garage.

OWINGSVILLE

■ The City of Owingsville has been awarded a \$1.25 million federal grant that will be used to make modifications to the **Bath County Industrial Park** wastewater treatment plant. The modifications will provide the changes needed for **CTI Foods**, one of the park's tenants and the area's largest employer, to expand its facility, potentially creating new jobs.

PADUCAH

■ **TeleTech Holdings Inc.**, a global provider of analytics-driven customer engagement solutions, will open a new customer service center in Paducah this month, bringing 300 new jobs to support the health-care industry. The new 30,000-s.f. facility will be located in the **Paducah Commerce Park**.

RICHMOND

■ The **Eastern Kentucky University** board of regents has approved an applied doctoral program in clinical psychology that will focus on preparing practitioners to work in underserved rural areas. The program, which is awaiting final approval by the **Kentucky Council on Postsecondary Education**, would be the first such program to be offered by a state public university. The only other PsyD program in the state is housed at **Spalding University** in Louisville.

LEXINGTON: UK SPORTS, DINING RIGHTS TOTAL MORE THAN \$460M FOR 15 YEARS

THE University of Kentucky announced major changes last month to contracts for both the multimedia rights to UK athletics and the university's student dining services, both of which will have far-reaching effects.

In what it called "one of the most valuable partnerships of its kind in college athletics history," UK announced that it had awarded its athletics and campus multimedia marketing rights to **JMI Sports**, a company founded in 2006 by John Moores and Erik Judson. (Moores is the former owner and chairman of the **San Diego Padres**. Judson has experience managing major sports development projects, including the Padres' Petco Park and the **University of Oregon's** Matthew Knight Arena.) JMI Sports' college clients include the **South-eastern Conference, Alabama, North Carolina, Oregon, Auburn, Colorado, Duke and Syracuse**, among others.

The 15-year, \$210 million agreement includes: radio rights to UK's football, men's and women's basketball and baseball games; pregame and postgame television shows and specials; coaches' endorsements; stadium and arena corporate signs, game programs and video features (other than those at Rupp Arena); naming rights to university athletics properties; sponsorship on UKathletics.com; and game sponsorships and game promotions.

UK's current deal, with **IMG**, expires in April 2015. It was worth \$80.5 million over 10 years. Even though television rights no longer are included due to the SEC's broadcast agreements and the impending launch of the **SEC Network**, UK's multimedia rights deal has increased significantly.

The university also announced that it is moving forward with a 15-year, nearly \$250 million contract with **Aramark** to provide dining services for UK, a move that UK President Eli Capilouto deemed "transformative."

Key provisions of the Aramark contract include a price reduction in student meal plans, with the most expensive plan falling in price by 26 percent; \$70 million in facilities investments, including substantial upgrades that will be ready this fall; and new food brands, including **Rising Roll Gourmet, Einstein Bros. Bagels, Greens to Go**, a locally owned **Common Grounds** and the first on-campus **Panera Bread**.

Aramark is also providing guarantees to increase **Kentucky Proud** and local food purchasing, including an 11 percent increase in the first year of the contract with \$2 million in guaranteed purchases. Over the life of the contract, local food and Kentucky Proud purchases are projected to grow each year and represent approximately 25 percent of total food purchases by the end of the term.

"In many respects, the direction we are embarking on today is as transformative as the process we started two years ago to revitalize student housing across the campus," Capilouto said.

In the last two years, working with private developer **EdR**, over \$380 million has been invested in the construction of more than 5,700 high-tech residence hall beds, a project that UK says ranks as the largest overhaul of housing in American public higher education.



A \$29.4 million signing bonus will be used exclusively for UK athletics department improvements such as upgrades to Commonwealth Stadium and Memorial Coliseum.

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FAST LANE

BUSINESS BRIEFS

SIMPSON COUNTY

■ **Toyo Automotive Parts (USA) Inc.** is investing \$6 million to expand and modernize its facility in Simpson County, where it produces anti-vibration auto parts for companies that include **Toyota** and **Nissan**. The company plans to purchase new rubber-mixing equipment, which will allow it to internalize some processes that are currently outsourced. The expansion will create up to 10 new jobs.

WALTON

■ **eBay Enterprises** is investing nearly \$52 million to expand its operations in Walton to help meet increasing customer demand. The project will include a new 630,000-s.f. fulfillment center and the addition of 300 new full-time jobs. The new facility will be eBay's third fulfillment center in Kentucky – it currently has fulfillment operations in Louisville and Shepherdsville that employ approximately 1,200 – and will bring the company's total amount of distribution space in the state to more than 1.4 million s.f.

STATE

■ **Regal-Beloit Co.** announced on June 5 that it is closing its Mt. Sterling and Winchester factories, eliminating some 200 jobs. The Wisconsin-based company, which manufactures electrical motor parts, said it plans to move the operations to nonunion factories in Mexico and Texas. The Mt. Sterling plant has been in operation for more than 40 years, while the Winchester plant has been in operation for approximately 15 years.

■ A preliminary report issued last month by the **Council on Postsecondary Education** estimates Kentucky's public and private colleges and universities conferred 63,148 degrees and credentials during the 2013-14 academic year, representing an annual increase of 1.2 percent and a 10-year increase of 60 percent. The statewide report showed growth at most levels, including undergraduate certificates, and degrees at the associate, baccalaureate and doctoral levels.

NICHOLASVILLE: ALLTECH EXPANDS ALGAE MANUFACTURING IN SAN PEDRO, BRAZIL

NICHOLASVILLE-based **Alltech** is building a \$63 million algae production plant on the campus of its facility in São Pedro, Brazil, where it already operates the world's largest yeast plant for animal nutrition.

"The company's experience with its first algae manufacturing plant in Kentucky has been a great success, and this is the reason for making the investment in Brazil,"

said Mark Lyons, Alltech's vice president for corporate affairs. "Algae are critical for conquering new markets. The future of nutrition lies in functional foods, and we are determined to meet the increasing global demand for DHA omega-3 on the farm and at the market."

Algae, with a considerable proportion of DHA omega-3, offer a whole range of possibilities: healthier and more productive animals, increases to farmers' profits and improved human health through DHA-enriched functional foods.

The new plant will increase Alltech's Latin America production by 58 percent and will create 200 direct and indirect jobs.

Alltech has also acquired a 7,857-s.f. plant in Indaiatuba, São Paulo State, Brazil, that will manufacture nutritional solutions for beef and dairy cattle. The new production facility is located close to the major maritime port in Brazil, allowing the company to more efficiently export its products.



Mark Lyons, vice president for corporate affairs at Alltech



Lane.



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FLORENCE: SOUTH CAROLINA COMPANY ACQUIRES DURO BAG MANUFACTURING

HILEX Poly, a South Carolina packaging company, has announced an agreement to acquire Florence-based **Duro Bag Manufacturing Co.**, one of Northern Kentucky's largest manufacturing companies.

Duro Bag is a leading provider of paper bags, supplying food service, specialty retail, grocery and mass merchant clients across the United States. The company operates 10 manufacturing facilities and employs approximately 2,500 people, 800 of whom are located in the Northern Kentucky/Greater Cincinnati area.

Hilex, headquartered in Hartsville, S.C., is a leading manufacturer of flexible packaging products, ranging from bags for grocery, retail and food service markets to can liners and specialty films. The company operates 15 locations across the United

Florence-based Duro Bag is one of the largest paper bag manufacturers in North America.

States and Canada as well as the largest U.S. closed-loop recycling facility. The combined company will have more than 3,000 manufacturing jobs in the United States and more than 600 in Canada and Mexico.

Hilex Chairman and CEO Stan Bikulege said the acquisition of Duro Bag will enable the company to expand its portfolio of 100 percent recyclable products to meet customer demands and broaden its reach to other market segments.



Duro Bag photo

BUSINESS BRIEFS

STATE

■ Twenty-two Kentucky Main Street Programs

have achieved national accreditation, up from 17 in 2013. The goal of the Main Street programs is to encourage downtown revitalization and economic development within the context of historic preservation. The national accreditation process evaluates and recognizes local programs according to 10 performance standards that include public and private support for the revitalization process and a comprehensive work plan. Kentucky's nationally accredited programs include: Bellevue, Carrollton, Covington, Danville, Frankfort, Georgetown, Guthrie, Harrodsburg, Henderson, LaGrange, London, Maysville, Middlesboro, Murray, New Castle, Perryville, Pineville, Russellville, Scottsville, Shelbyville, Springfield and Williamsburg. Kentucky's Main Street program is the oldest statewide revitalization program in the nation.



Paul Goodman Photography photo

■ New legislation is now in effect that makes it easier for small businesses in Kentucky to apply and qualify for the **Kentucky Small Business Tax Credit**, a non-refundable state income tax credit ranging between \$3,500 and \$25,000. To receive the credit, small businesses must create and fill one or more eligible jobs for one year and invest \$5,000 or more in qualifying equipment or technology. The equipment purchase and the new hire must occur within six months of each other, but the application can be made anytime within 24 months of the first of those two events. For more information, visit thinkkentucky.com/ksbtc.

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INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

BUSINESS BRIEFS

INDIANA

■ **Indiana Tech** has formed a partnership with **Heartland Payment Systems** that allows Heartland employees to earn a bachelor's degree in business administration on site at the Heartland Service Center in Jeffersonville, Ind. The partnership is part of Heartland University, a program developed to enable employees to pursue a college education in a convenient format.



■ **Walmart** is locating a 1.2 million-s.f. e-commerce fulfillment center in Plainfield, Ind., that will create up to 303 new jobs by 2016. "By combining large-scale online fulfillment centers with Walmart's distribution centers, world-class transportation network and 4,200 stores, we have the ability to get incredibly close to our customers to deliver orders faster and at a lower cost," said Brent Beabout, senior vice president of supply chain and logistics for **Walmart Global**

eCommerce. "This center alone will allow cost-effective delivery to more than 160 million people in just one to two days."

■ **Hc1.com Inc.**, a healthcare cloud platform provider, is expanding its headquarters in Indianapolis, the company's third major expansion in central Indiana in the last three years. The expansion will create 175 new jobs by 2019 and the company has already begun hiring additional software engineers, sales executives, product solution architects, client success managers, reporting analysts and operations personnel.

OHIO

■ **Cooper Tire & Rubber Co.** plans to open a \$35.5 million global technical center in Findlay, Ohio, to research and develop advanced tire and material technologies. The center will ultimately employ 40 scientists and engineers and will have a dedicated R&D team that will focus on areas such as nanotechnology and new polymers and compounds.



■ **Zyvox Technologies**, a Columbus, Ohio-based company that is a leader in carbon nanomaterial applications, has been acquired by **OCSIAI**, a Maryland company best known for producing graphene tubes. The companies said the partnership creates the largest nanotechnology company in the world and will combine large-scale manufacturing capabilities with commercialization expertise.

TENNESSEE

■ **Greenfield Products**, a leading manufacturer of custom heavy equipment attachments, is adding 80,000 s.f. to its manufacturing operations in Union City, Tenn., to accommodate additional product lines being brought to the Tennessee plant. The \$6.3 million expansion will create 100 new jobs.

■ **Heritage Glass** plans to begin new manufacturing operations in Kingsport, Tenn., that will generate 237 new jobs. The company will service, repair and modify existing equipment at the facility to manufacture patterned glass used in shower doors, solar panels, dividers and privacy applications.

■ **MicroPort Orthopedics Inc.** is investing \$100 million to expand product design, manufacturing capability and plant facilities at its Arlington, Tenn., location, where it produces hip and knee implant devices. The company also plans to create a medical education facility to train surgeons, sales representatives and employees on the orthopedic products and surgical techniques. The expansion will create 171 new jobs.



INDIANA: ALCOA SAYS \$100M EXPANSION IS PROPELLED BY AEROSPACE DEMAND

LEADING aerospace manufacturer **Alcoa** has begun work on a new 320,000-s.f. facility in LaPorte, Ind., where it will produce nickel-based superalloy jet engine parts.

The \$100 million project will expand Alcoa's reach from structural engine components for business and regional jets to large commercial aircraft, including both narrow- and wide-body planes as well as military aircraft.

The facility will use the latest in high-tech advanced manufacturing equipment, including digital X-ray for real-time quality assurance, 3D printing of prototypes, blue-light technology for more comprehensive dimensional inspection data and automated casting furnaces with advanced controls to meet precise product specifications.

Construction of the plant is now underway and is expected to be complete by the fourth quarter of 2015. The expansion will add 329 jobs by 2019 to the existing 470 employees currently working at the LaPorte location.

The project is the second major aerospace investment by Alcoa in Indiana within the last two years. In 2012, the company announced construction of a \$90 million aluminum lithium facility at its Lafayette, Ind., location that is slated to open later this year. That facility will enable the production of more than 20,000 metric tons of Alcoa's patented aluminum-lithium alloys used to build significantly lighter and lower-cost airplanes versus composite alternatives.

Public Domain Pictures photo



The expansion of Alcoa's LaPorte, Ind., plant will enable the company to produce components for narrow-body aircraft, which are currently in high demand.

INDIANA: OURHEALTH INVESTS \$20M TO EXPAND HQ, ADD 450 JOBS STATEWIDE

OURHEALTH, an on-site health management company, is doubling the size of its Indianapolis headquarters and plans to create a network of healthcare clinics serving employers across Indiana. The \$20 million expansion will add 450 new jobs statewide by 2018.

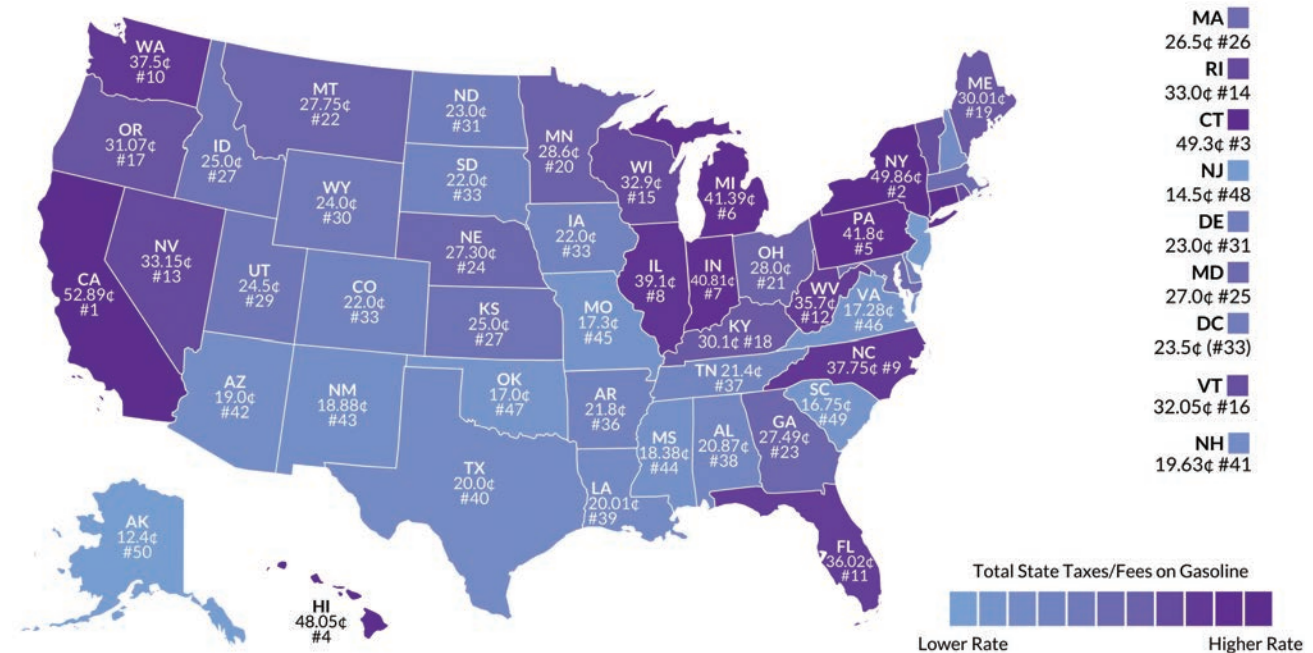
Founded in 2009, OurHealth works with employers to improve employee health and productivity and lower costs by removing barriers to care, supporting consumerism and focusing on wellness. The company's model includes a primary care clinic as the hub of a total health management solution, offering preventive care, wellness and lifestyle management services, and patient referral guidance support.

"We are in a unique position to change the way health care is delivered," said Ben Evans, co-founder and CEO of OurHealth. "Employers across Indiana have experienced nearly uncontrollable increases in their healthcare costs. Along with the monetary benefits recognized by Indiana employers, OurHealth's commitment to wellness and prevention creates happier and healthier Hoosier employees."

OurHealth currently employs more than 120 and operates 15 clinics, most of which are dedicated to a single employer. The new clinics will typically serve multiple employers. The company has already begun hiring certified medical assistants, health coaches, nurses, nurse practitioners, physician assistants and doctors.

PAYING AT THE PUMP

Gasoline taxes vary significantly from state to state, ranging from nearly 53 cents per gallon in California to 12.4 cents per gallon in Alaska. Kentucky's tax – at 18.1 cents per gallon – ranks No. 18 in the nation. Gas taxes are generally used to fund transportation infrastructure maintenance and new projects.

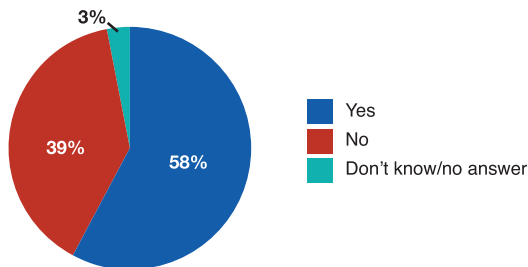


SOURCE: American Petroleum Institute/The Tax Foundation

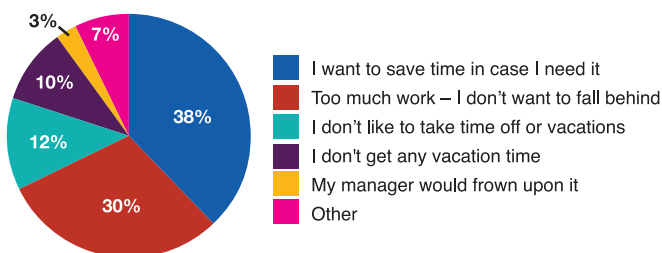
TIME OFF, WITH PAY

Summer is typically considered prime time for vacations, but a recent survey shows that a surprising number of employees don't even use all of their paid vacation time.

DO YOU TYPICALLY USE ALL OF THE PAID VACATION DAYS YOU ARE PROVIDED BY YOUR COMPANY?



WHAT IS THE PRIMARY REASON YOU DON'T USE ALL OF YOUR VACATION TIME?

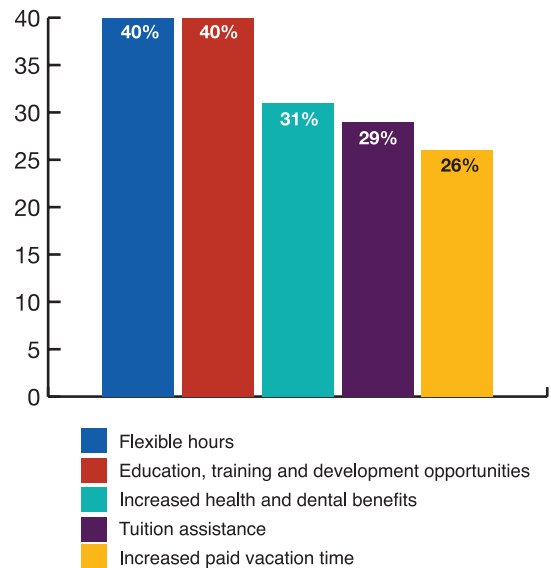


SOURCE: Robert Half

RETAINING GOOD EMPLOYEES

Productive, talented employees aren't always easy to come by. So when you have someone that fits the bill, how do you ensure that they stay on your team? A recent survey asked 601 business owners and executives the following question:

WHAT ARE THE MOST EFFECTIVE STRATEGIES FOR RETAINING TALENTED EMPLOYEES?



SOURCE: BMO Harris Bank

CORPORATE MOVES

New leadership for Kentucky businesses

ARCHITECTURE

■ **H. Wayne Cowan** has joined Lexington-based Omni Architects as director of construction administration.

BANKING

■ **Heather Combs**, **William "Dave" Compton** and **Barry Van Caudill** have been promoted to market assistant vice presidents for Community Trust Bank. Combs is branch manager at the bank's Isom office in Jeremiah, Ky. Compton is branch manager at the bank's Town Mountain office in Pikeville. Caudill is a loan officer at the Whitesburg main office.



Heather
Combs



Dave
Compton

■ Forcht Group of Kentucky has named **Leslie Jarvis** as its new corporate human resources director.



Leslie
Jarvis

■ **Linda Rumpke** has joined Traditional Bank in Lexington as senior vice president and commercial loan officer.

■ **Michelle Culbertson** and **Kasey Wilson** have been promoted to assistant vice presidents for Farmers National Bank in Danville.



Michelle
Culbertson



Kasey
Wilson

ECONOMIC DEVELOPMENT

■ The Kentucky Highlands Investment Corp. has named **Sandi Curd** as program coordinator for the Kentucky Highlands Promise Zone.

■ **Rebecca Matheny** has been named executive director of the Louisville Downtown Development Corp.

■ **Brett Traver** has joined Southeast Kentucky Economic Development Corp. (SKED) as its new executive director.

EDUCATION

■ **Jason Rainey** has been named director of the Small Business Development Center at Eastern Kentucky University.



Jason
Rainey

■ **Monica Wendel** has joined the University of Louisville School of Public Health and Information Sciences as associate dean for public health practice and associate professor of health promotion and behavior sciences.



Monica
Wendel

■ **Cindy Gnadinger** has joined St. Catharine College as vice president of academic affairs.

EQUINE

■ **Chauncey Morris** has been named executive director of the Kentucky Thoroughbred Association/Kentucky Thoroughbred Owners and Breeders (KTA/KTOB). Morris succeeds **David L. Switzer**, who will retire on Aug. 1 after serving as head of the organization for 21 years.

■ **Chris Welton** has been named chief executive officer of the United States Equestrian Federation. Welton succeeds **John Long**, who has retired.

FOOD/SPIRITS/HOSPITALITY

■ **Fazoli's**, a Lexington-based quick-service Italian food restaurant chain, has announced the following promotions: **Scott Sir Louis** – vice president of company operations; **Doug Bostick** – vice president of franchise operations; and **Chris Markovich** and **Patrick Devine** – director of company operations.

GOVERNMENT

■ **Heather French Henry** has been named commissioner of the Kentucky Department of Veterans Affairs.

■ **Jeff Edwards** has been appointed director of the Kentucky Protection and Advocacy Division, an independent state agency that protects and promotes the rights of people with disabilities.

HEALTHCARE

■ **Carol Dwyer** has been named vice president of patient care services for Saint Joseph Hospital in Lexington.



Carol
Dwyer

■ **Dr. Isaac J. Myers II** has been named president of the Baptist Health Medical Group. **Catherine A. Zoeller** has been named vice president of operations for the group.



Lynne
Washbush

NONPROFIT

■ **Lynne Washbush** has been named chief development officer for the Bluegrass Regional Chapter of the American Red Cross.

■ **David C. Riggins** has been named president/chief operating officer of Aviation Museum of Kentucky, a non-profit organization headquartered in Lexington.

TRANSPORTATION

■ **Brendan Canavan** has been appointed new president of Louisville-based UPS Airlines. Canavan succeeds **Mitch Nichols**, who has been promoted to senior vice president of transportation and engineering for UPS and named a member of the company's management committee.

OTHER

■ **Dennis Brian** has been named chief financial officer for commercial healthcare services at Xerox. He will be based in the Lexington office.

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ON THE BOARDS

Kentuckians named to organizational leadership roles

ALZHEIMER'S DISEASE AND RELATED DISORDERS ADVISORY COUNCIL

■ **Hollie R. Sands, Kimberly H. Goode** and **Cheryl Harrod** have been appointed to serve on the Alzheimer's Disease and Related Disorders Advisory Council. Sands, of Lexington, is an epidemiologist for the Kentucky Cabinet for Health and Family Services Department for Public Health Immunization Program. Goode, of Georgetown, is a long-term care ombudsman at the Office of Aging Services. Harrod, of Frankfort, is an occupational therapist at Franklin County Home Health.

AMERICAN MEDICAL ASSOCIATION

■ **Dr. Steven J. Stack**, a Lexington emergency physician with St. Joseph East in Lexington and St. Joseph Mt. Sterling, has been named president-elect of the American Medical Association. He will succeed another Lexington physician, **Dr. Ardis Dee Hoven**, who is an infectious disease specialist at the University of Kentucky.



Steven Stack

ASSOCIATION FOR ACCOUNTING MARKETING

■ **Craig Browning** has been elected to the board of directors of the Association for Accounting Marketing. Browning is marketing and business development manager for Blue & Co. LLC in Lexington.



Craig Browning

BRIGHTSIDE

■ Brightside, a Louisville organization that focuses on environmental stewardship programs, has announced its board of directors for 2014: **Louis Straub II** (chair), Chase Bank; **David Ark**, Strothman + Co.; **Barry Barker**, TARC; **Monica Black**, Grainger; **Amy Cahill**, Stites & Harbison PLLC; **Brandon Coan**, Local Interest Consulting; **Nick D'Andrea**, UPS; **Mark Duffee**, CSX; **Robert J. Ehrler**, LGE/KU Energy; **Tony Ellis**, Thompson, Miller & Simpson PLC; **Will Fensterer**, Capital Access Corp - KY; **Mike Hext**, Waste Management; **John Korfhage**, Korfhage Landscape and Designs Inc.; **Derrick Littlejohn**, Stock Yards Bank & Trust; **Katherine Mapother**, arts education consultant; **John McCafferty**, John McCafferty Advertising; **Mary Ann Palmer**, Texas Roadhouse; **Roy Potts**, Coca-Cola Refreshments USA Inc.; **Mary Lea Quick**, Thoroughbred Research Group; **Jane Ramsey**, University of Louisville; and **Margaret Wendler**, Republic Bank. In addition, the following members have been added in a non-voting ex-officio capacity: **Mike Heitz**, Louisville Metro Parks; **Lynn Huff-**



Amy Cahill



Derrick Littlejohn



Mary Lea Quick

man, Gallopaloosa; **Brian Bingham**, MSD; **Katy Schneider**, Tree Commission; **Maria Koetter**, Office of Sustainability; **Pete Flood**, Louisville Metro Government - Solid Waste Management District; and **Ken Herndon**, Louisville Downtown Management District.

KENTUCKY BANK

■ **William Miles Arvin Jr.**, **Rose Mary Stamler Dow**, **George A. Hoskins**, **Greg Ladd** and **Wes Omohundro** have been appointed to Kentucky Bank's Fayette County regional board of directors. Arvin is an attorney in Nicholasville and is also the founder and co-owner of Southern Tax Services LLC. Dow is president and secretary of Signal Investments in Lexington. Hoskins is managing director of Wimbledon Farm in Lexington. Ladd is founder and owner of Cross Gate Gallery in Lexington. Omohundro is a CPE with Blue & Co. LLC.

KENTUCKY DERBY FESTIVAL

■ **Trish Osborn** has been selected to chair the 2015 Kentucky Derby Festival in Louisville. Osborn, who is senior vice president of American Founders Bank, succeeds **David Nett**, customer communications manager for Kroger (Mid-South Division), who will continue to serve as immediate past chair. Also serving on the executive board are: Chair-elect - **Wes Rutledge**, vice president of investments, Hilliard Lyons; Vice Chair - **Lisa Stevenson**, instructor and assistant athletic director, DuPont Manual High School (Jefferson County); Secretary - **Scott Watkins**, vice president operations, Norton Healthcare; and Treasurer - **Marita Willis**, president, Community NOW. Joining the 75-member board as newly elected directors are: **Natasha Collins**, **Al Cornish**, **Barry Denton**, **Don Marquess**, **Joey Wagner**, **Wendy Dant Chesser**, **Jean Lee** and **Suane Sanders**. **Michael E. Berry** continues as president and CEO of the Derby Festival.



Trish Osborn

KENTUCKY EQUINE MANAGEMENT INTERNSHIP PROGRAM

■ The following individuals have been named to serve on the board of directors for the Kentucky Equine Management Internship Program, a 22-week internship established to improve opportunities for college students who want to pursue a career in equine management: President - **Garrett O'Rourke**, Juddmonte Farms; Vice President - **Callen Strouss**, Lane's End/Oak Tree Division; Secretary - **Sandy Hatfield**, Three Chimneys Farm; Treasurer - **Jackie Smith**, Juddmonte Farms; Educational Chair - **Laurie Lawrence**, University of Kentucky; Directors - **David Switzer**, Kentucky Thoroughbred Association; **Steve Johnson**, Margaux Farm; **Tom Evans**, Trackside Farm; **Mike Owens**, Cobra Farm; **Shannon White**, Ballantrae Farm; **Naoya Yoshida**, Winchester Farm; **Michael Banaahan**, Darley USA; **Matt Koch**, Shawhan Place Farm; and Coordinator - **Leslie Janecka**.

KENTUCKY HORSE PARK COMMISSION

■ **Richard A. Sturgill** has been appointed to serve on the Kentucky Horse Park Commission. Sturgill, of Paris, is executive chairman at BPM Lumber LLC.

KENTUCKY STATE CORRECTIONS COMMISSION

■ **Emily "Libby" J. Taylor**, **John M. Williams**, **Lawrence White**, **Richard Todd Gardner** and **G.L. Ovey** have been appointed to the Kentucky State Corrections Commission. Taylor, of Lexington, is a real estate agent with RE/MAX Creative Realty. Williams, also of Lexington, is an attorney. White, of Bowling Green, is a self-employed environmental consultant and specialist. Gardner, of Carlisle, is a business representative at IBEW Local Union 369. Ovey, of Eddyville, is the commonwealth's attorney for the 56th Judicial Circuit.

PAPA JOHN'S INTERNATIONAL

■ **Laurette Koellner** has been appointed to the board of directors of Louisville-based Papa John's International Inc. Koellner most recently served as executive chairman of International Lease Finance Corp., a subsidiary of American International Group Inc.

STATE BOARD OF ELECTIONS

■ **Ronald Morgan**, of Paducah, has been appointed to serve on the Kentucky State Board of Elections.

THOROUGHBRED CHARITIES OF AMERICA

■ **Graham Motion** and **Ned Toffey** have been named to the board of directors of Thoroughbred Charities of America. Motion and Toffey join current board members **Amy Adkins**, **Shannon Arvin**, **Eric Hamelback**, **Braxton Lynch**, **Bob Manfuso**, **Pope McLean Jr.**, **Mike McMahon**, **Ellen Moelis**, **Herb Moelis**, **Dr. Jim Orsini**, **Dr. Scott Palmer**, **Josh Pons**, **Dan Rosenberg**, **Bo Smith** and **Peter Willmott**.

YOUNG PROFESSIONALS ASSOCIATION OF LOUISVILLE

■ **Jean Lee**, a client and community relations specialist with PNC Bank, has been named president of the board for the Young Professionals Association of Louisville. Other members of the executive board include: President-Elect - **David Haney**, Gwin Steinmetz & Baird PLLC; Immediate Past President - **Rebecca Weis**, Stites & Harbison PLLC; Vice President of Community - **Kaci Demott**, ARGI Financial Group LLC; Vice President of Development - **Mark Mucci**, Garrett-Stotz Co.; Vice President of Public Relations - **Erin Spalding**, Doe-Anderson; Vice President of Special Projects - **Andrea Newton**, Humana Inc.; Treasurer - **Tyler Moore**, Mountjoy Chilton Medley LLP; and Secretary - **Tiffany Ge**, Frost Brown Todd LLC. Directors for the association include: Director of Membership - **Lauren O'Connor**, Northwestern Mutual; Director of Entertainment - **Alie Faulkner**, Brown Mackie College; Director of Professional Development - **Aimee Jewell**, Main Line Broadcasting; Director of Community Outreach - **Brian Massey**, Strothman & Co.; Director of Inclusion - **Katie Scordo**, Fifth Third Bank; Director of Public Issues - **Stephanie Rowe**, Humana Inc.; Director of Communications - **Chris Nation**, Quantum Communications; Director of Recruitment - **Brian Walter**, Humana Inc.; and Director of Technology - **Nick McRae**, McRae Technologies LLC.



Jean Lee

LANE ONE-ON-ONE

Kentucky's leaders express their opinions



Elizabeth Griffin McCoy

Elizabeth Griffin McCoy is president and chief executive officer of Planters Bank in Hopkinsville, Ky. The company is comprised of 13 locations in western Kentucky and Montgomery County, Tenn., and under McCoy's leadership has grown significantly over the last 17 years. McCoy has chaired the Kentucky Chamber of Commerce since October 2013 and also serves on several other boards and committees, including the Kentucky Bankers Association, the Hopkinsville Industrial Foundation, the Hopkinsville/Christian County Economic Development Council and the University of Kentucky's Gatton School of Business and Economics. A native of London, Ky., McCoy is a graduate of the University of Kentucky and the Gatton School of Business. She holds an MBA and is a certified public accountant.

'KENTUCKIANS CAN DO MUCH MORE WORKING TOGETHER'

Kentucky Chamber of Commerce Chair and Planters Bank President Elizabeth McCoy discusses community banking and public policy

BY ED LANE

Ed Lane: Planters Bank in Hopkinsville was founded in 1996. With the addition and acquisition of additional branches in Tennessee and Kentucky, the bank now has 13 banking locations and a mortgage office in the Clarksville, Tenn./Ky. metropolitan statistical area (MSA). What factors have fueled Planters Bank's successful growth?

Elizabeth McCoy: Planters Bank is blessed to be located in an excellent market. The bank started in 1996, and I was hired in 2000. Planters had about \$100 million in assets then. I've been fortunate enough to assemble a fantastic team of bankers, thanks in large part to mergers in the markets Planters serves. I give credit for Planters Bank's growth to my team. *(Editor's note: Planters Bank's assets as of March 31, 2014, were \$788.8 million.)*

EL: How were you recruited to become a top executive with Planters Bank?

EM: My first banking job was with Liberty National Bank starting in 1994. Soon after my hiring, the Bank One merger occurred. Then I joined Our Community Bank in Hopkinsville in 2000. Planters Bank started during that time period. Planters' president, my predecessor, passed away at age 54, when the bank was relatively new. At that time, the shareholders contacted me about working for Planters Bank.

I'm also a CPA and had worked with an accounting firm in Hopkinsville for nine years before banking.

EL: Was it a difficult decision for Planters Bank to expand into Clarksville, a Tennessee market, in 2002?

EM: In my previous banking position, Clarksville was part of my responsibility. When I joined Planters Bank, the bank had also hired a new CFO whose previous position also had been in Clarksville. So we both knew Clarksville was an excellent market. The growth was there and it has continued to be exponentially better even than it was in 2002. So management approached the board about the potential of expanding there. In retrospect, the fact that Planters Bank expanded in Clarksville, the fifth-largest city in Tennessee, was definitely a major business decision. But it's worked out really well.

EL: Did Planters have trouble qualifying to operate a branch bank in Tennessee?

EM: Well, there's not reciprocity between Kentucky and Tennessee, so Planters acquired a charter from another bank that was also merging. Planters then incorporated that charter into its own, giving the bank the right to operate in Tennessee and build branches there.

EL: Has Planters Bank being located in two states created any unusual operating issues?

EM: Our bank branches in Tennessee and Kentucky are regulated by the Kentucky Department of Financial Institutions and the FDIC. A bank may elect to be regulated differently, but Planters continues to be a state-regulated bank.

EL: In late 2012, Planters Bank acquired Old National Bank branches in Princeton, Providence, Sturgis, Sebree and Dawson Springs, Ky. How did this transaction materialize?

EM: Old National Bank acquired Integra branches when the FDIC closed them down, and Old National chose to divest some of the smaller markets. Planters was interested in acquiring these branches primarily for their deposit and customer base. Planters does community banking well, and those communities have been very supportive. They fit well into the bank's footprint, and Planters also acquired some really nice talent.

EL: How would you describe the economic vitality of the four-county Clarksville, Tenn./Ky. MSA?

EM: Our MSA has been fortunate through everything that's occurred during the current recessionary period. Agriculture is the single largest industry in our part of Western Kentucky; it's been on about a really outstanding 10-year run. Last year there was some difficulty thanks to the weather, but some of the other crops made up for that as prices were higher. Agribusiness has been a big contributor to our success. Planters has had two farmers on its board from the beginning, so ag has always been part of who we are.

In our part of Kentucky, it's (grain) rowcropping and tobacco. The finest burley tobacco on the planet is grown in our market, but corn, wheat and soybeans are the area's primary crops. And in Christian County, the ethanol plant cooperative has been a big contributor to our corn farmers' success.

EL: The Clarksville MSA had a population of 273,000 persons in the 2010 U.S. Census and is currently estimated at 285,000 in 2013. Activity at Fort Campbell is a major factor in this area's long-term population growth and occasional declines. As U.S. military personnel return from overseas active duty to the United States, what impact might this have on Planters Bank's future operations and profitability?

EM: The good thing about this situation right now has been the Army's sensitivity to families over the last dozen years or so. In the past when deployments occurred, fam-

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Jonathan Steiner
Executive Director/CEO
Kentucky League of Cities

"Public-private partnerships are a viable financing alternative and economic development tool for many local governments. As the budgets of city governments continue to be challenged by a gradual economic recovery, P3s offer local governments and private sector businesses the flexibility and capital necessary to pursue much needed infrastructure and community revitalization projects. Leveraging private sector investment and expertise with public dollars in an effort to increase efficiency and reduce costs make P3s an attractive option for many public projects."



Dave Adkisson
President and CEO
Kentucky Chamber

"P3's will fundamentally change the way projects and services are delivered, bringing private sector innovation and additional layers of accountability. P3's are used in 34 states to create jobs, including every state surrounding Kentucky. It's time for Kentucky to do the same."



The Kentucky League of Cities serves as the united voice of cities by supporting community innovation, effective leadership and quality governance.



Kentucky Chamber
Uniting Business. Advancing Kentucky.

The Kentucky Chamber of Commerce supports a prosperous business climate in the Commonwealth of Kentucky and works to advance Kentucky through advocacy, information, program management and customer service.



ilies would leave the area, and that was even more devastating than just the military personnel leaving. The Army is trying to make deployments less often and shorter, which tends to keep the families here, and that's very helpful. Yes, I'm concerned about the Pentagon's announcement that the Department of Defense plans to reduce the active-duty military from 495,000 to 450,000 troops. We spend a lot of our time working with local chambers of commerce, directly with the post, and with our congressional delegations in Washington to ensure that our community has done everything it can to make Fort Campbell the most viable post possible. Fortunately, the airfield is the largest in the Army, which is why the 101st Airborne Division is housed at Fort Campbell.

EL: How does Planters Bank work with its customers?

EM: There is a general philosophy in community banking that bankers want to know the people with whom they are doing business. Planters wants to understand what it is our clients do, make visits and develop a relationship. Good service breeds loyalty, and customers will stay with you. That's very important.

EL: Is the bank's goal to attract more deposits or make more loans or both?

EM: Unless a bank is lending money, it's not going to make any money. Planters is very fortunate to have a great team of lenders and so far has been very successful in lending. Right now deposits are really key for Planters, which is one of the reasons we were interested in acquiring the five branches.

EL: Is Planters Bank a leader in online banking technology?

EM: Planters is a "fast follower," since a bank our size is normally not in a position to innovate. As new technology becomes available, Planters tries to acquire it. The Tennessee market has much younger demographics than our Kentucky market does. One of Clarksville's benefits is it's a big bedroom community to Nashville, so we see a lot of commuters. When you take all that into consideration, our customers being able to access the bank online at all hours is a real benefit to Planters.

EL: Dodd Frank legislation has created a significant number of additional regulations for banks. How has this affected Planters Bank's administrative costs, its day-to-day management and profitability?

EM: Regulation costs money, yes, but really the difficulty is the loss of time, which is a very valuable resource. It takes time to get up to speed and be sure that the bank is complying with the

letter of the law. The worst part of all of it is that banks now have to police the world for everything. There are a lot of things banks have to do that should instead be a burden on the business.

EL: Should some portions of the Dodd Frank legislation be eliminated or amended by the U.S. Congress?

EM: Although many Dodd Frank regulations do not apply to banks under \$1 billion in assets, smaller banks are observing a trickle-down effect as time goes along. The Consumer Financial Protection Bureau is something I'm fearful of, although a lot of its regulations don't today apply to our bank. The bureau is totally unsupervised by Congress at this point, and I find that very unfortunate.

EL: What are your long-term concerns regarding the quantitative easing policy of the Federal Reserve Bank, and how is that policy affecting the current profitability of local and regional banks?

EM: This low-interest-rate environment that we've been in has actually been fairly beneficial to the industry as the rates banks pay on deposits remain low. Over the past few years, the primary source of funding bank loans has become less expensive. We're starting to now see an incredible amount of pressure on loan pricing.

That's a challenge because the interest rate should depend on the borrower, the collateral and the length of the loan term. Planters often has competitors that don't seem to take all these factors into consideration. Larger banks can price loans cheaper because they have access to other less-expensive sources to fund loans. So there again, community banks add value in other ways and don't just compete on price.

EL: When interest on the U.S. debt increases, what impact will higher rates have on banking institutions, the U.S. economy and the U.S. budget debt?

EM: Higher interest rates are going to impact the federal government's budget since interest paid on the national debt will increase significantly. Higher interest rates will impact the banking industry. Generally, banks can lag increasing the costs of deposit pricing, but borrowers will try to lock in loan pricing as they see higher interest rates coming.

EL: What is your perception of current economic conditions in Western Kentucky?

EM: Western Kentucky's economy has remained fairly steady. The rural part of Western Kentucky did not have a big boom or a big increase in housing prices, et cetera. When you don't experience the big boom, it's less likely you'll

experience the downside. If you look at banks in general in Kentucky, there's been very little financial difficulty across the state and virtually none in Western Kentucky. Also, the ag economy has remained strong in Western Kentucky. And interestingly, coal mining in western Union County, where Planters has branches, is seeming to benefit because the region's coal has more demand than coal extracted in Eastern Kentucky. We are experiencing a little increase in coal mining in our part of Kentucky.

EL: How would you rate the performance of Gov. Steve Beshear and the Kentucky General Assembly?

EM: I like Gov. Beshear very much. You know, he's from Dawson Springs, where Planters now has a branch, and his cousin is the mayor there. From the Kentucky Chamber of Commerce's position, P3 (Public Private Partnership) legislation was its primary focus in this legislative session, and we were very disappointed when the governor vetoed P3 legislation that had very broad-based support. When labor and the Kentucky Chamber are on the same side, you would think that would be legislation that everybody would support. The Kentucky Chamber plans to continue to work on P3 because it's a very, very important piece of legislation for the state.

The chamber was also disappointed that even though statewide smoking ban legislation is gaining momentum, it has not been enacted. The smoking ban should be framed as a public health issue in an unhealthy state like Kentucky. We need to see some bold leadership from Frankfort to stand up and say, "We need to end smoking in public places in an effort to improve the health of all of our citizens."

Those were the two legislative issues that the chamber found particularly disappointing, but we were happy with the outcome on other issues.

EL: What's the Chamber's stand on the local-option sales tax?

EM: The chamber supports the local-option sales tax. Our board, after intense deliberation, came out in favor of the legislation. We feel a local-option tax should be up to the people. If the voters want to pay a tax in their community for a project, then they ought to have the opportunity to vote on that. When the project paid in full, the local-option tax then sunsets.

EL: And the Chamber supports expanded gaming?

EM: Yes, it does. The board feels that expanded gaming would be another source of revenue. We understand the difficulty in some of the more conservative areas of the state, but Kentucky is already a gambling state. We have horse race gam-

bling and the lottery. All of that is gaming. But more importantly, several of our border states offer casinos where our citizens now go to gamble. If the casinos were on our side of the state line, Kentucky would benefit from that revenue.

EL: One of the other key areas that's considered one of the most important in the state is right-to-work legislation.

EM: The Kentucky Chamber of Commerce has been on the record for a number of years as being for right-to-work. As I live on the state line of Tennessee and our community competes regularly with Tennessee to attract new businesses, right-to-work is a huge issue. Often we hear, "Well, right-to-work never comes up." But that's because Kentucky never gets a chance with some companies; the state is getting marked off the list of potential business locations before it ever get contacted because Kentucky isn't a right-to-work state. We hear that a lot.

EL: Another approach to business attraction is workforce development.

EM: Education is the key to everything. That was bred in me from birth until today. I believe it in my own life and for the employees and the citizens where I live as well as the state in general.

EL: When you were a young professional just starting out, who was the most influential person in guiding your career and outlook on business?

EM: George Griffin, my father, definitely. He always thought it was possible for me to be every bit as successful as men. When I was in accounting at UK, there weren't very many women in the profession like there are today, but I earned an accounting degree and spent nine years in public accounting before I got into banking. I wouldn't be in the position I am today had it not been for my accounting training and experience.

EL: Do you have a closing comment?

EM: As we sit here in this beautiful Kentucky Chamber of Commerce building, I'm appreciative of the good job (President) Dave Adkisson does. It's been a pleasure to serve on the board. I feel very fortunate to serve as the Chamber's chair this year. We're blessed to live in Kentucky. While the state has plenty of challenges, it also has a lot of great attributes. We just need to do a better job of continuing to grow and develop our opportunities. I give the Kentucky Chamber a big part of the credit for reaching out across party lines, across the geographic boundaries of our state, to bring businesspeople together to focus on our problems and try to figure out a way to solve them. Kentuckians can do much more together. ■

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Kentucky Auto Makers Find Another Gear

Expanded and upgraded assembly lines, workforce training, new industry association fueling the sector

BY GARY WOLLENHAUPT

ENGINES revving, Kentucky's automotive manufacturing industry has shifted into overdrive. The state now ranks third in the nation for light vehicle production, and with two new models set to go into production, commonwealth automakers are seeing nothing but green lights ahead.

U.S. auto sales were reported at 15.6 million in 2013 with the latest forecasts for 2014 at around 16.5 million. Global sales were nearly 83 million in 2013 and are on track to hit 100 million in 2018, according to reports citing consultant IHS Automotive.

Advanced manufacturer training programs are being fine-tuned and implemented across the state to ensure

there are enough skilled workers to keep driving the vehicle production status. One of those programs at Lexington-based Bluegrass Community and Technical College is getting a new facility across the street from Toyota Motor Manufacturing Kentucky (TMMK) in nearby Georgetown and is being modeled in other areas of the state.

In the past five years, Toyota, General Motors and Ford have made major, multi-million investments in their Kentucky facilities, modernizing and expanding to accommodate the production of new vehicles. (To put this in context, five years ago the auto industry was almost in collapse, with annual sales having plunged from more than 16 million to 10.4 million, production plants closing in historic numbers

Toyota Motor Manufacturing Kentucky (TMMK) team members in May celebrated 10 million vehicles assembled at the plant, posing with the "first" Camry built in 1988 and the milestone vehicle, a Camry Hybrid, built in 2014.

and bankruptcy a real possibility for GM and Chrysler.)

Since 2010, nearly 300 motor vehicle-related projects have been announced in Kentucky, representing more than 17,600 new jobs and \$4 billion in new investment. In 2013, nearly 35 percent of new investment and almost 30 percent of new job announcements came from motor vehicle-related projects.

Statewide nearly 460 motor vehicle-related establishments employ nearly 82,000 people. Kentucky motor vehicle exports reached a record \$5.5 billion last year. With their vehicle production plants as the cornerstones, Louisville and Lexington in 2011 initiated the long-term Bluegrass Economic Advancement Movement project to jointly become a world center of advanced manufacturing known for the superior quality of products crafted there.

It's been an amazing few years.

Last summer, Ford announced plans to retool its Kentucky Truck Plant. This comes on the heels of Ford's \$600 million investment in the Louisville Assembly Plant, which transformed it into the company's most flexible high-volume

plant in the world and allowed it to produce the all new Ford Escape.

GM recently rehabilitated its Bowling Green Assembly Plant to manufacture the next-generation Corvette, and Toyota announced it would begin building the Lexus ES 350 at TMMK in 2015.

Overall, manufacturers in Kentucky produced 1.2 million light vehicles in 2013, only 200,000 vehicles behind No. 2 Ohio, according to the Kentucky Cabinet for Economic Development. That production volume easily makes Kentucky the No. 1 state in auto production per capita.

There has been much focus on sustaining and accelerating that growth. Earlier this year, the state created the Kentucky Automotive Industry Association, which will raise awareness of and advocate for the light-vehicle manufacturing sector, create workforce development opportunities, and aggressively recruit workers and operations to the commonwealth. It brings together public officials and representatives of private manufacturers and suppliers to exchange ideas and identify challenges to growth.

Developing an ear for opportunity

"In a relatively small state, the auto industry is a huge economic force for us, so we're trying to create more recognition of the industry and collaboration among all the parties," said Larry Hayes, secretary of the Cabinet for Economic Development. "From the economic development standpoint, the more awareness we can get of Kentucky being a major player, particularly by foreign direct investment opportunities, the better."

Hayes recounted a crunch-time conversation between Gov. Steve Beshear and the president of an auto compo-

nent supplier whose Kentucky plant was 25 years old and needed an upgrade. The executive told the governor he could relocate to another state and receive incentives as a new industry, but because the company had been in Kentucky so long, it wasn't eligible at the time for incentives for new equipment and training.

"That's the kind of forum we want to create (with KAIA), so we can listen to our existing companies and give them an opportunity to talk to us at the state level about the opportunities they see and the future of the industry," Hayes said.

Kentucky's centralized location makes it an attractive spot for automotive suppliers to locate to reach customers in surrounding states. Recent news



*Larry Hayes,
Secretary,
Cabinet for
Economic
Development*

William Clay Ford Jr., executive chairman of Ford Motor Co., and Alan Mulally, president and chief executive officer, greet journalists from around the world after introducing the Lincoln MKC Concept at the North American International Auto Show in Detroit. The MKC will be built at the Louisville Assembly Plant.



about recalls and production interruptions from natural disasters such as the tsunami in Japan have shone the spotlight on manufacturers' supply chains.

"Everyone has become very sensitive to the centrality of their supplier base and who their suppliers are buying from," Hayes said.

Business investment incentives enacted in June 2009 continue to attract automotive investment. In May, the Warren County Fiscal Court donated land valued at \$2.7 million and authorized \$160 million in revenue bonds to support construction of a plant for aluminum companies Constellium N.V. of Europe and UACJ Corp. of Japan. Vehicle makers increasingly are opting for aluminum's lighter weight over steel's strength to improve performance and fuel efficiency.

The companies expect to invest more than \$155 million in the Warren County aluminum plant, which will employ 80 people with average salaries of \$65,000. That's an even larger investment than the 2013 announcement by shock-absorber maker Bilstein of a \$120 million plant in Bowling Green, which was the state's third largest capital investment that year.

On July 22, the Kentucky Chamber of Commerce's annual meeting will feature keynote address, "The Future of the Auto Industry and Kentucky's Economy," by Wil James Jr., president of TMMK.



*Wil James Jr.,
President,
Toyota Motor
Manufacturing
Kentucky*



A General Motors Bowling Green Corvette Assembly operator removes the engine bracket mount while assembling a 2014 Chevrolet Corvette at the plant in Bowling Green, Ky.

AJ Mast for Chevrolet photo

MANUFACTURING

Manufacturers investing in the future

General Motors: In Bowling Green, new Corvette plant manager Jeff Lamarche said the facility is producing 170 new Corvette Stingrays daily, five days a week. GM spent \$131 million preparing the 1 million-s.f. plant to produce the new model, including a new \$52 million body shop that enables workers to fabricate the aluminum frame in-house for the first time.

GM invested \$3.5 million to relocate a high-end engine facility from Wixom, Mich., to Bowling Green. The Performance Build Center is turning out souped-up engines for the Camaro Z/28 now and will add the Corvette Z06 engine early next year. It will include a line where car buyers can help build their own engines.

Although the Bowling Green Assembly Plant is running at capacity right now, soon it will start producing the Z06 Corvette, a high-performance model that has auto enthusiasts salivating.

"We're curious ourselves where the Z06 production will fit, since we're building all the Corvettes we can right now," Lamarche said.

To gear up for the Corvette, GM added about 400 jobs, mostly with transfers from other plants, which grew its Kentucky workforce to nearly 1,000 people, Lamarche said.

Ford Motor Co.: Ford's history in Louisville dates to 1913, when 11 employees started assembling pre-manufactured vehicles. Today, Ford employs nearly 9,000 union and management workers there in two plants.

About 4,200 work at the Kentucky Truck Plant, which was built in 1969. In January, Ford announced it would invest \$80 million and create another 350 jobs to meet demand for F-250, F-350, F-450 and F-550 Super Duty pickups. The upgrades and retooling were designed to deliver a 15 percent increase in production capacity, or an additional 55,000 units per year.

The plant also makes the Ford Expedition and Lincoln Navigator sports utility vehicles. With production increasing, Ford officials expect the plant to build its 5-millionth Ford F-Series Super Duty sometime in 2014.

"Ford has been the No. 1 seller of trucks for the past 37 years, and that's a good testament to job security for those folks in the plant," said Kristina Adamski, Ford's manufacturing communications manager.

The 3.1 million-s.f. Louisville Assembly Plant dates to 1955 and in 2012



Jeff Lamarche,
Plant Manager,
Bowling Green
Assembly Plant

TMMK President Wil James leads the ceremony celebrating the launch of construction on the Lexus line at the plant on Jan. 8, 2014.



underwent a \$600 million revamp to a flexible design so it could produce up to six different models at once. Ford can retool a line within weeks rather than months to respond to changing consumer preferences.

Right now it's concentrating on the popular Ford Escape crossover SUV, but soon will initiate production also of the Lincoln MKC, a brand new compact SUV for the venerable luxury nameplate, according to Adamski.

In 2012, the company increased its LAP workforce by 1,800 jobs and added a third shift to bring employment to about 4,400. Since the plant revamp announcement, several major Ford suppliers have invested more than \$56 million in Kentucky and created 900 jobs to support the Escape and other production requirements.

LAP's flexibility allows it to add the Lincoln MKC to its line and meet that luxury nameplate's quality standards.

"They hold their quality to the highest standard, and those employees have been through a lot of training and have had a lot of visits from Lincoln's leadership to make sure they're ready to build the right vehicle in the right way for the right luxury customer," Adamski said.

Toyota: The Toyota Camry rolling off the line at TMMK in Georgetown has been the most popular vehicle in the United States for many years and drives stability among another 110 suppliers in the state. TMMK also builds the Camry Hybrid, Avalon, Avalon Hybrid and Venza and manufactures four-cylinder and V6 engines.

"That drives a lot of job growth," said spokesman Rick Hesterburg, "and that doesn't count service providers and vendors we use for other things – and that's just from the parts supply perspective."

The commonwealth's auto sector experienced one significant reversal when Toyota announced its was relocating the its

North American administrative headquarters employing 1,600 in Erlanger to Plano, Texas – where the leading Japanese vehicle maker also is consolidating sales offices from California and engineering research from Michigan.

The net Toyota job loss to the Kentucky will be mitigated by gains in other areas. The Georgetown plant next year will produce the first Lexus models built in the United States, and that is creating about 750 jobs. Also, Hesterburg said, about 300 Toyota engineers relocating from Northern Kentucky and Michigan will come to Georgetown rather than Texas.

Adding the Lexus ES 350 model was real coup for the Scott County plant as it will be the first time any of the premium nameplate's vehicles will be built outside Japan. The company is investing \$360 million to turn out an expected 50,000 additional vehicles per year. Production is expected to start in the fall of 2015.

"Winning the Lexus project was a boost for us and a realization of a workforce that's matured and proven itself to be able to take on a prestigious product like the Lexus," Hesterburg said.

Later this year, said TMMK's James, the plant will launch an updated "mega-changed 2015 Camry." This will increase production at the plant also, he said.

"With any new or redesigned model, we are accustomed to increases in production, but the buzz surrounding the next generation Camry is better than ever ... and for good reason: We stripped the Camry down to its chassis and rebuilt it from the ground up, raising the bar yet again in the highly competitive mid-size sedan segment," James said.

Building a better auto worker, too

To ensure a well-trained workforce, Bluegrass Community and Technical College several years ago teamed up

with auto companies for classes that give workers both technical and cultural skills to go to work.

About 14 companies participate in the Advanced Manufacturing Technician program in the Advanced Manufacturing Center on Toyota's property in Georgetown. The program lets students take classes two days a week and work three days a week in the plant.

"The students make money in order to keep down their expenses and get out of school debt-free, and they gain a lot of experience and the schools get to see them work," said Mark Manuel, vice president for workforce and institutional development at BCTC.

The school is also launching a program with the University of Kentucky's College of Engineering in which BCTC students who earn associate's degrees can transfer as sophomores into a four-year engineering degree program at UK.

As part of Kentucky's economic development incentive package to land the Lexus production at Toyota, BCTC is investing \$24 million in a new AMT training facility attached to TMMK.

"Workforce development is an extremely critical issue for all of us in this industry, and BCTC has been one of those conduits for us to channel potential candidates to the program to provide some of the skills needed by candidates to perform the jobs in facilities such as ours," Hesterburg said.

The AMT worker training program the Kentucky Community and Technical College System developed at BCTC for Toyota has been such a success that at least 10 other states have copied it, with help from KCTCS.

One of the biggest problems facing the industry is a lack of people with the math skills and desire to work in a manufacturing facility. Toyota is facing a wave of retirements from the first hires at the Georgetown plant who have surpassed the 20-year mark, as well as retiring Baby Boomers at other companies.

"We talk with the manufacturers about the pipelines not being full enough," Manuel said. "We don't have enough people who want to go into manufacturing, and that's partly due to their (outdated) perceptions of what manufacturing is like. Today it's nothing like the plants your fathers or grandfathers worked in."

Uniting automakers for Kentucky

Meanwhile, the new Kentucky Automotive Industry Association brings together

auto manufacturers, suppliers and supporting entities to make the commonwealth an even more prominent automotive powerhouse.

The united front will be crucial in marketing Kentucky's automotive prowess and moving the industry forward, said Mandy Lambert, commissioner of business development in the Kentucky Cabinet for Economic Development.

"For the first time, these automotive professionals – many of whom are competitors – have volunteered to work together, share best practices and

encourage meaningful partnerships that will advance the auto industry now and in the future," Lambert said. "The KAIA will play a key role in modernizing our workforce, addressing industry challenges and finding long-term solutions. It also will allow us to highlight successes and elevate the state's contributions to the global auto market."

Kentucky is, quite simply, the place to build vehicles, she said. ■

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



Mark Manuel,
Vice President
For Workforce
and
Institutional
Development,
Bluegrass
Community
Technical
College

DISCOVER why Lexington is a great place for business.

No. 1

MID-SIZE COMMUNITY
—Fourth Economy, 2011

No. 12

MOST HIGHLY EDUCATED
CITY IN THE US
Population 25 years or older,
has at least a bachelor's degree
—US Census Bureau, 2011 ACS

No. 6

MOST EDUCATED CITY WITH
AN ADVANCED DEGREE
—US Census Bureau, 2011 ACS

No. 17

AMERICA'S TOP 25 HIGH-TECH
HOTSPOTS
—The Atlantic Cities, 2013

No. 4

BEST CITY IN TERMS
OF BUSINESS COSTS
—KPMG Competitive Alternatives, 2012

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GLOBAL CITIES INITIATIVE



Bruce Katz, from left, Lexington Mayor Jim Gray, Paul Costel, Amy Liu, and Louisville Mayor Greg Fischer spoke at the recent Global Cities Initiative event in Louisville.

INCREASING KY'S COMPETITIVENESS

Global Cities Initiative forum discusses workforce, innovation strategies

Maintaining a talented, trained and innovative workforce will help Kentucky secure its reputation as a top location for American manufacturing, said Louisville Mayor Greg Fischer, speaking at a forum last month hosted by the Global Cities Initiative, a joint project of the Brookings Institution and JPMorgan Chase.

"As the Louisville and Lexington region emerges as a global manufacturing hub, we have put into place considerable programs to ensure workers are given quality opportunities for training and education to stay ahead of changing technology and needs," Fischer said.

The event was an opportunity for "Kentucky's world-class advanced manufacturers to unite around lessons from local and national leaders in the fields of workforce development and product innovation," said Lexington Mayor Jim Gray.

The forum builds on the Bluegrass Economic Advancement Movement (BEAM) region's collaborative business plan and export plan, developed with assistance from the Brookings Institution. Louisville-Lexington also are a part of the Global Cities Initiative's Exchange, a network of metropolitan areas working together to develop customized global engagement strategies. Implementation of the region's export strategy has been further supported by a donation from the JPMorgan Chase Foundation.

JPMorgan Chase supports the initiative because it is interested in accelerating "the creation of actionable government global strategies for the region," said Paul Costel, Kentucky market president of Chase.

Two new efforts were announced to strengthen the region's ability to innovate



Panel moderator Alan Berube of the Brookings Metropolitan Policy Program speaks with Rena Sharpe, Augusta Julian and Mark Tomkins.

in advanced manufacturing and workforce development. The first was a BEAM initiative, an Advanced Manufacturing Innovation Conference, designed to connect Kentucky manufacturers with cutting-edge processes and technologies, set for October in Lexington.

Second, Rena Sharpe, vice president of North America Operations, Westport Axle Corp., announced the launch of A Blueprint for Bridging the Industrial Skills Gap – a new effort by a coalition

Worth noting

- **Kris Kimel**, president of Kentucky Science & Technology Corp., said innovation, entrepreneurial initiatives, commercialization and the forming of new companies will create new jobs and increase capital income and wealth. Businesses must innovate or die.

- **Neville Pinto**, dean of the University of Louisville Speed School of Engineering, said the cycle time from innovation to commercialization needs to be reduced to more quickly bring forward the benefits of new technology.

- **Natarajan "Venkat" Venkatakrishnan**, director of research and development at GE Appliances in Louisville, said there needs to be a "second industrial revolution that will stimulate the manufacture of safe, cost-efficient and long-life products that can be serviced all over the U.S."

- **Augusta Julian**, president and CEO of Bluegrass Community and Technical College, said BCTC helps international companies replace their retiring employees with skilled technicians.

- **David Graham**, deputy chief operating officer of the Office of Neighborhood Services in San Diego, said the city started diversifying its economy 50 years ago with biotech research and innovation. Today, it is one of the top biotech cities in the world.

- **Mark Tomkins**, vice president of the German American Chamber of Commerce of the Midwest, said apprenticeship curriculum are set by employers in Germany. To develop a high-quality product, companies need a world-class workforce.

tion of Greater Louisville manufacturers outlining the actions stakeholders must take to create a better-prepared workforce for local employers.

America needs to get back to the fundamentals of fueling the economy with innovation and manufacturing, said Bruce Katz, Brookings vice president, co-director of the Metropolitan Policy Program and co-director of the Global Cities Initiative. ■



Amy Liu, left, of the Brookings Institution moderates an innovation discussion with Neville Pinto, Natarajan "Venkat" Venkatakrishnan, Kris Kimel and David Graham.

What is the Cost of Clean Energy?

EKPC photo

Coal-reliant Kentucky begins the multi-year process to implement new power plant carbon regulations

BY DEBRA GIBSON ISAACS

KENTUCKY utility officials – and customers – are assessing the impact of power-plant carbon-emission limits expected to begin in the a few years and setting strategies to remain competitive and control energy costs they expect to rise by double-digit percentages.

The commonwealth's reliance on its own carbon-dense coal for power generation has meant cheap electricity, but environmental concerns and the economics of newly plentiful shale gas both are jolting the status quo. How the state's power generation feedstock mix will shift within

the next 10 year and what the cost per kilowatt hour will be are matters of intense and multimillion-dollar speculation. Everyone is sure only that their energy-use line item is going up.

A month after President Barack Obama released his proposed regulations limiting carbon emissions from electric power plants, the future of electricity production in Kentucky still remains more ifs, ands, buts and maybes than when, where and how. But as one utility executive said: "It is not time to jump off any cliffs yet."

Carbon emission regulations will come a few years from now at the soonest – after evaluation, public comment,

Spurlock Station, a coal-fueled power plant located on the Ohio River near Maysville, Ky., is East Kentucky Power Cooperative's largest power plant. Its four generating units have a total capacity of about 1,400 megawatts.

possibly revisions and adjustments, perhaps even legal challenges that could delay implementation beyond what the process now foresees.

The proposed regulations, called the Clean Power Plan, are the U.S. Environmental Protection Agency's effort to slash carbon dioxide (CO₂) emissions from existing coal-fired and new power plants using fossil fuels by 30 percent below 2005 levels. It's up to the utilities how they meet that goal, but there is big cost involved whether they change fuel or capture the carbon dioxide created by power generation before it can be released into the air.

Power plants account for roughly one-third of U.S. domestic "greenhouse gas" emissions, which form a heat-trap-

COVER STORY

Construction of the 640-megawatt natural gas combined cycle (NGCC) turbine at LG&E's Cane Run 7 generating station is shown, with the plant's coal-fired units in the background. The coal-fired units are on schedule to be retired next May. At that time, the new NGCC will go into service.

ping layer in the atmosphere scientists explain is causing a global increase in temperatures. Beginning in the 1970s, health concerns spurred enactment of regulatory limits for the amounts of arsenic, mercury, sulfur dioxide, nitrogen oxides and particle pollution that power plants can emit. There are currently no national limits on CO₂ levels.

The multiyear EPA plan to cut carbon has two major components as well.

Part one, the proposed rules for carbon emissions from *new* power plants, was announced early this year. It generated tremendous speculation and trepidation in the business community, particularly among utilities, about the second component – proposed limits for CO₂ emissions from *existing* power plants.

The second component was released in a 650-page document in early June and published in the Federal Register in mid-June, officially signaling the start of the public comment period.

The EPA plan requires most states to control carbon emissions from their biggest sources of electricity – the plants generating electric power. Each state has a different CO₂ emissions reduction goal based on its present CO₂ emissions rate, the renewable energy the state produces and consumes, and the efficiency of both the state's power plants and electric consumers. Most of the regulations must be met by 2030.

Kentucky might have a head start. While figures from the state and the EPA show commonwealth CO₂ emissions rising and falling from year to year, the levels reported in 2013 were 8 percent less than the 2005 benchmark year.

No surprises in long-expected proposal

None of the state's principal players had time to review the massive document in depth before commenting for this article, but all had overall impressions.

"We are appreciative of the fact that the EPA looked at each state differently as opposed to one-size-fits-all," said Dr. Len Peters, secretary of Kentucky's Energy and Environment Cabinet. "Whether that gives us the flexibility we need won't be known until we have time to fully review the document. But overall we are pleased."



*Dr. Len Peters,
Secretary,
Kentucky
Energy and
Environment
Cabinet*

"We are not surprised at the direction he is going," said Greg Pauley, CEO of Kentucky Power, which covers approximately 175,000 customers in all or part of 20 Eastern Kentucky counties. Headquartered in Frankfort, Kentucky Power is part of the American Electric Power system, one of the largest U.S. electric utilities with 5 million-plus customers in 11 states. AEP is one of the largest users of coal in the nation.

"Most of us in the utility industry have recognized for some time that the administration was moving to limit the emissions generated by coal," Pauley said. "The impact it will have on the nation is the use of less coal and more natural gas. ... It will have more extreme impacts on some states than others, but the cost of electricity will go up everywhere."

Eric King, director of governmental affairs and community for the Kentucky Association of Electric Cooperatives (KAEC), echoed Pauley's observations about elec-



*Greg Pauley,
CEO,
Kentucky
Power*



*Eric King,
Director of
Governmental
Affairs and
Community,
Kentucky
Association of
Electric
Cooperatives*

tricity costs. So did Chris Whelan, spokesperson and vice president of communications for LG&E and Kentucky Utilities.

KAEC has 24 distribution cooperatives – and two generation co-ops – that deliver electricity to 1.7 million Kentuckians in rural portions of the commonwealth. LG&E and Kentucky Utilities focus on the metro areas. LG&E serves 321,000 natural gas and 397,000 electric customers in Louisville and 16 surrounding counties. KU serves 543,000 customers in 77 Kentucky counties and five counties in Virginia.

"We believe these proposed regulations will have a significant impact on Kentucky," said Chris Whelan, spokesperson and vice president of communications for LG&E and Kentucky Utilities, the state's largest utility. "Kentucky gets 93 percent of its power from coal, which is well above the national average, so reducing greenhouse gas emissions by 18 percent will be a challenge. No matter how the final rule turns out, you can expect there will be an increase in the cost of electricity to customers; however, the full impact of the rule on LG&E and KU's operations



*Chris Whelan,
Vice President
of Commu-
nications,
LG&E and
Kentucky
Utilities*





cannot be known until state regulators develop specific plans and guidelines for complying with the rule.”

KAEC’s King said one thing is certain: “This will have little positive effect on climate change and will increase electricity costs for the people we serve,” he said. “Our 1.7 million families and businesses who rely on cooperatives for affordable, reliable electricity will be disproportionately hurt. We need a flexible, balanced, all-of-the-above approach. The administration has an all-but-one (coal) approach.”

Final rule’s impact unknown until 2017 at least
The final rules will not come out until 2017 – after a year of discussions, negotiations and perhaps litigation concerning their exact wording, and a year for states to submit their state implementation plans (SIP). The coming year may very well be the most perplexing as states scramble to determine precisely how to meet the regulations.

“All the states will be working with energy regulators and energy cabinets and agencies to determine what is best,” says Kentucky Power’s Pauley. “The industry can’t decide what to do until the state decides what to do. Secretary Peters will have to work with a number of agencies to decide what impact it will have.”

In fact, that process has already begun. In mid-June Peters held meetings with stakeholders to determine how to proceed. As far back as 2008, Peters and Gov. Steve Beshear already realized that new greenhouse regulations were looming and developed Kentucky’s first comprehensive energy plan, which Beshear issued in 2008.

“We were saying at that time that we needed to diversify our energy portfolio,” Peters said. “Our utilities need the flexibility to shift to what is most efficient.

“Part of that is we still need to look at nuclear power (prohibited by state law until a permanent waste storage facility exists). We continue to say we need to look at the base load because Kentuckians want electricity 24/7, Christmas day included. They need a reliable base load. We can’t build a nuclear plant in this state now, but we should consider nuclear.”

In the meanwhile, KAEC is mounting what King calls “an aggressive campaign” to challenge the carbon-emission proposal and tell Washington it is unhappy with the regulations and the way in which they were developed.

“The process has circumvented Congress,” King said. “These regulations will increase costs and could result in significant job losses. The process has compounded this issue because Congress was not included. We want our members to come together and tell Washington what they think. The business community should also look at the rules themselves so they are able to inform their employees about the consequences. The more proactive business is, the better.”

With long timelines, utilities are already acting
LG&E and KU are not waiting, either.

“We are building Cane Run 7, a 640-megawatt natural gas combined-

cycle combustion turbine at our Cane Run facility in Jefferson County,” Whelan said. “The \$560 million project will be the first of its kind in Kentucky and is the least-cost way to replace part of our retired generation and to safely and reliably meet continued growing energy demand.”

Whelan points out that LG&E and KU have reduced emissions even though customers continue to use more energy. (See chart below.)

“From 1997 to 2018, our sulfur dioxide emission levels will have dropped by 88 percent,” she said, “and nitrogen oxide emission rates will have dropped by 83 percent while our customers’ energy needs have risen by more than 16 percent.”

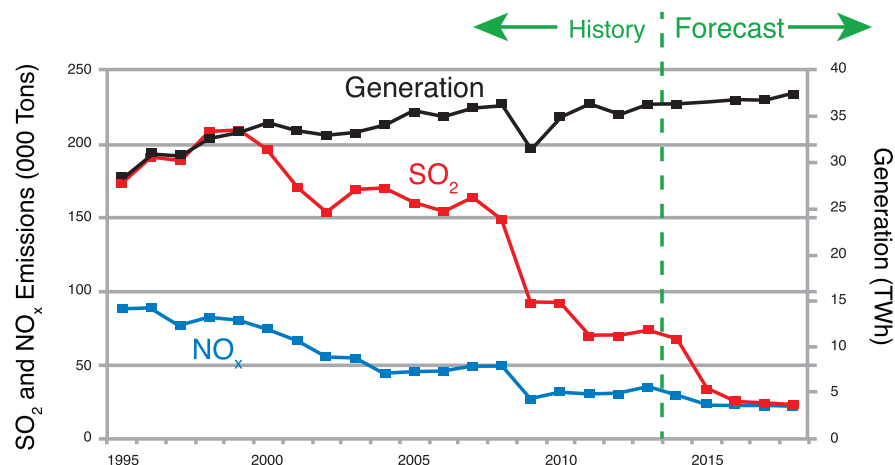
Since 2006, the two utilities have been involved in research on carbon capture with the University of Kentucky’s Center for Applied Energy Research.

From his Frankfort office, Kentucky Power’s Pauley points out that utilities cannot make decisions based on a five-year plan.

“We make decisions based on 20- and 30-year outlooks,” the utility executive said. “The costs associated with addressing environmental concerns are decisions that are long lasting. It would drive most companies crazy to think that utilities might be changing rates every two years. We look out 25 years so businesses can have some continuity in what the electricity will cost that they use to produce their products. That continuity is important in the long run, and it is an important message that utilities need to help their business customers do this. It’s also important for consumers who have a utility bill to pay each month.”

To help meet the coming new emission targets, Pauley said, Kentucky and

Emissions Decrease Even as Demand Increases



COVER STORY

its utilities also must delve into the need for renewable energy sources – those nature provides on an ongoing basis: solar, wind, hydro and geothermal.

“The state will have to decide how much to jump into renewable (power) generation,” he said, “but if you don’t have the money to invest in renewables, you may not have the ability to take advantage of that approach.”

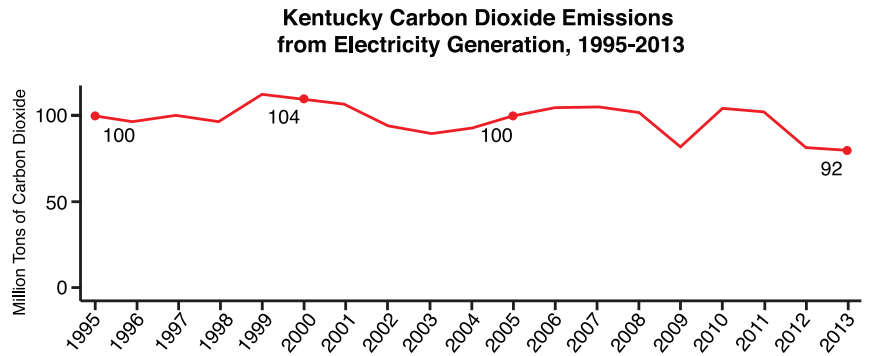
Existing coal plants hitting retirement age

The age of Kentucky’s current facilities will also play a key role, according to Secretary Peters.

“Between now and 2030 we will retire 30 percent of our existing coal (power plant) fleet, and by 2040 we will retire 57 percent,” he said. “Those projections are based on the typical age of retirement. The decisions utilities make on what to replace those facilities with will determine what the state’s electricity portfolio looks like in 2040.”

At present, natural gas seems to be the answer, but Peters and other utility and energy experts express serious concerns about that being the only answer.

“That is the great ‘what if,’” Peters said. “What if natural gas prices show



Kentucky Energy Database, EEC-DEDI, 2014
Data Source: EPA Clean Air Markets

the volatility of the last decade? If our only move is toward natural gas, then we are moving from one fossil fuel to another, and we do not have the diversification I think is needed.”

Whalen agreed.

“It is now cheaper to build a natural gas plant,” she said, “and we are in the middle of doing that. But that is largely because you cannot (obtain a) permit (for) a coal-fired plant because it cannot meet the regulations. What to build will really be determined by how the final rules come out.”

These decisions will particularly affect the manufacturing sector, and again that puts Kentucky at a disadvantage just as the shift away from coal is especially difficult in our coal-rich state.

“If the rate for electricity increased 25 percent, that could mean a loss of 30,000 jobs in the state,” Peters said. Most of those will be in the manufacturing sector. We have a robust manufacturing base now. But all this depends on trying to project the cost of natural gas. Trying to do that is 95 percent luck and 5 percent intelligence.”

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Frankfort, KY

Use: Building is ideal for wholesale, service, government, retail, or contractor office and storage

Zoning: CH – Highway Commercial

Building Size: 8,000 s.f. ±

Lot Size: 0.53 acres ±



Winchester, KY

Use: Retail, wholesale, service or contractor business location

Zoning: B-2, Highway Business

Building Size: 12,000 s.f. ±

Lot Size: 8.0 acres ±



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LG&E and KU's E.W. Brown Plant in Harrodsburg utilizes three generations of electricity-producing processes – a hydroelectric plant, three fossil-fueled generating units and seven combustion turbines. The three coal-fired generators can produce 749 megawatts of electricity, more than one-fifth of KU's total capacity. An average of 1.5 million tons of coal is burned annually at E.W. Brown Station.

Whatever the outcome, utility executives seem to agree that there are a few positives. One is that there is time to engage and perhaps shape the ultimate regulations. Another is that each state can chart its own course. And finally, the utility leaders find that Kentucky's leadership puts the state in good hands.

"My history with Secretary Peters is that he is open-minded to thoughts and suggestions and ideas and open in his approach. He engages all those at the table. I think that is a key driver that will help us decide as a state what is best. There is a lot of work to be done between now and June of 2015 when states must submit their plans. But there's no reason to jump off any cliffs yet." ■

Debra Gibson Isaacs is a correspondent for The Lane Report. She can be reached at editorial@lanereport.com.



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Taste of Kentucky Media Tour

State economic development officials getting word out on the \$5 billion food and beverage sector

BY MARK GREEN



OUT-of-state journalists were served up first-hand information about the commonwealth's \$5 billion-plus food and beverage sector during a two-day Taste of Kentucky media tour last month. They visited with the executive chef at Churchill Downs and saw a bourbon barrel cooperage, the KFC headquarters, a distillery, a national lobster distribution center, a soft-drink bottling plant, a food coatings supplier and the offices for a company whose heatless powder production process could revolutionize food manufacturing and much more.

Louisville has been touting its strong food and beverage cluster as a building block upon which to build further business and job opportunities for several years. However, the realization has dawned that this cluster is part of a broader – and important – Kentucky economic sector.

"We have a booming food and beverage sector, and we want to showcase that," said Joe Hall, communication specialist with the Kentucky Cabinet for Economic Development. There are 270 businesses that employ more than 43,000 Kentuckians.

The cabinet orchestrated the tour, which was underwritten by East Kentucky Power Cooperative, Kentucky United, LG&E KU, and TVA.

Above: The dining room table in the Kentucky Governor's Mansion is set for a meal Gov. Steve Beshear and first lady Jane Beshear hosted for participants in the Taste of Kentucky media tour in June.

Left: A worker at Brown-Forman Cooperage in Louisville "raises" a barrel by placing 33 staves into a ring-shaped form.

The two-day tour highlighted bourbon, of course, an industry unto itself that is growing by leaps and bounds yet still lagging growing world demand for this signature Kentucky product. It began with a reception at the Distilled Spirits Epicenter in downtown Louisville where craft distillers showcased their products.

After a general tour of Churchill Downs, executive chef Dave Danielson outlined the year-long planning and complex logistics process required to serve 400,000 meals at the track during Kentucky Derby week, including thousands at the highest price point, and the level of expectations by customers.

There was a visit to Clearwater Lobster, which is located five minutes from the UPS Worldport at Louisville International Airport and ships lobster that originated in Nova Scotia from its 38-degree saltwater tanks to restaurants all over the United States within 24 hours.

There was a tour of KFC headquarters with its museum full of Harlan Sanders memorabilia, a full-size in-house restaurant complete with a drive-in window for training, and the safe inside a vault that contains the recipe of 11 herbs and spices known only to a handful of top employees – because multiple suppliers produce successive portions of the final seasoning mix used at locations around the world.

A Brown-Forman Cooperage tour provided a close-up look at how white oak barrels are produced without glue and their interiors specially charred so that clear whiskey aged in them for four or more hot Kentucky summers and cold winters turns into amber bourbon.

Next came a tour of the large Jim Beam distillery in Clermont, followed by a bourbon tasting lesson from Fred Noe, a seventh generation of the Beam family and the operation's bourbon ambassador.

Gov. Steve Beshear and first lady Jane Beshear hosted tour participants for a dinner at the Governor's Mansion featuring Kentucky food and beverage.

The next day began with a tour of the Ale 8 One bottling plant in Winchester that since 1926 has made a soft drink whose own distinctive recipe of ginger beer and "exotic fruit flavors" is known to only four people. Current management is working on expanding distribution of the 8,000 cases made daily from Kentucky, southern Ohio and some of Tennessee to the entire United States.

In Boone County, tour participants were shown a 326,000-s.f. plant under construction for Newly Weds Foods, which will supply breadings, batters, seasonings and other coatings to the major food manufacturers already located in



Clockwise from top left: Styrofoam crates at Clearwater Lobster near the UPS Worldport in Louisville are prepared shipping to restaurants and other users all over North America.

The bottling line at Ale 8 One in Winchester produces an average of 8,000 cases daily of the ginger and exotic fruit flavored soft drink. Only four people know its secret flavoring formula.

Rick Maynard, senior manager of public relations with KFC, points out the safe inside a vault at headquarters in Louisville that holds the secret recipe for its 11 herbs and spices chicken seasoning.

Invited out-of-state journalists are shown a bourbon still at the Jim Beam Distillery in Clermont.



Northern Kentucky. It will be the 16th North American location for the Chicago-based company, which expects to use more than 1 million pounds of flour a day as its main raw ingredient.

Lastly came a visit to ZoomEssence, a five-year-old food process technology company based on a heatless spray drying method developed by physicist and research scientist Charles Beetz. Heat has been integral to making powdered products of all types 1870, but it evaporates some ingredients and chemically alters others.

Beginning with food products that will retain their original flavor and consistencies, officials of the Hebron-based company describe the ZoomEssence

process as "one of those technologies that will change the world."

"We wanted to cover a variety of food and beverage sectors. We grow it. We manufacture it. We headquarter it," Hall said of the tour. "And we wanted to show how important logistics, with the UPS and DHL hubs in Louisville and Northern Kentucky, are to the full package."

Participating journalists were from the New York region, greater Los Angeles, Atlanta and Birmingham. They write specifically about food, business and economic development. ■

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



The Domtar paper pulp mill in Hawesville produces 75 percent of the electricity it uses by recovering "liquor" byproducts from its production process and using to produce "green" steam.

Assessing Combined Heat and Power

Round-the-clock operations and those with thermal processes are top candidates to benefit from CHP systems

BY SARAH BERKSHIRE

MANUFACTURERS play an immense role in energy consumption across Kentucky, using a little more than 50 percent of all kilowatts burned in the state, said Greg Higdon, president and CEO of the Kentucky Association of Manufacturers.

Thus manufacturers are critical to the state's performance as it works toward a goal of offsetting at least 18 percent of the projected 2025 energy demand by leveraging efficiencies.

One promising new initiative promotes combined heat and power (CHP) systems in industrial and manu-



Greg Higdon, President/CEO, Kentucky Association of Manufacturers

facturing settings to reduce energy costs and carbon emissions at facilities that are some of Kentucky's highest energy consumers. Round-the-clock operations, especially those with thermal processes, are considered the top candidates for CHP adoption.

Public and private officials in the commonwealth are spreading information about a method that has gotten some traction already in some areas of the nation. It was the topic of several sessions at KAM's annual energy conference in May.

A CHP system generates electricity and heat from a single fuel source, such as natural gas or biomass. Heat – thermal energy – that otherwise would be lost is captured to power another process such as climate control. Systems, located at or adjoining facilities they

power, supplement or replace conventionally separate heat and power.

Combined heat and power systems are as much as 80 percent efficient compared to average fossil-fuel power plant efficiencies of 33 percent, according to the U.S. Environmental Protection Agency. Meanwhile, energy use and cost management is one of manufacturers' top ongoing concerns.

The commonwealth's CHP program, launched in March, is built on a partnership of the Kentucky Energy and Environment Cabinet, including the Department for Energy Development and Independence, the Kentucky Pollution Prevention Center at the University of Louisville and the Kentucky Association of Manufacturers. Two U.S. Department of Energy grants totaling \$195,000 pay for education efforts and building a state database.

This collective will work on several aspects of implementing CHP in Kentucky, including policy, technical, finance and education and outreach. They are bringing together stakeholders to identify strategies and supporting policies that would maximize the benefits of CHP for Kentucky manufacturers.

There is much to explore and develop, partners said.

They are identifying issues that might prevent manufacturers from using CHP, beginning with financial investment.

"A lot of industries are looking at a situation in which they'll only invest in it if they recoup the cost within three years," said Bill Lunsford, a consultant engineer with DEDI. Savings and return on investment vary from facility to facility depending on multiple factors, he said.

"They will evaluate it case by case," Higdon said of companies. "If it makes business sense, they can get the approval." Most manufacturers, he added, are interested in lengthening the amount of time that it would take in their business plans before they realize returns on investment.

Energy efficiency must make business sense
Higdon said energy management is one of manufacturing's top four priorities, along with workforce develop-



Bill Lunsford, Consultant Engineer, Department for Energy Development and Independence, Kentucky Energy and Environment Cabinet

ment, logistics and human resource issues such as taxes and healthcare.

Everyone wants to find ways that make business sense to lower consumption in the face of rising costs, he said.

"The cost of energy will continue to rise not only in Kentucky but nationally," Higdon said.

The CHP program partners may identify, for example, changes in tax credits or the permitting process that would make CHP implementation more feasible.

The focus is on manufacturing or large commercial operations. Organizations with 24-hour consumption and a need for thermal energy would benefit the most from CHP, said DEDI Director Greg Guess.

Some business leaders might find benefits specific to their situation.

While natural gas is the primary fuel for CHP and is expected to remain so, biomass also can power a CHP system.

Some manufacturers' waste stream can be used as their fuel source, said Cheryl Eakle, sustainability engineer with the Kentucky Pollution Prevention Center. When feasible, the practice is not only an energy cost-saver but cuts transportation costs and saves landfill space



*Greg Guess,
Director,
Department for
Energy
Development and
Independence,
Kentucky
Energy and
Environment
Cabinet*



*Cheryl Eakle,
Sustainability
Engineer,
Kentucky
Pollution
Prevention
Center*



"Any kind of lumber plant is going to have wood waste," Eakle said, "and that can be fuel."

In other cases, chemical plants could with the proper permitting burn waste to fuel CHP.

Domtar paper plant almost powers itself

The Domtar pulp and paper plant in Hawesville, about 25 miles from Owensboro, implemented CHP in 2001 and is involved in the state's initiative, said Steve Henry, general manager of the facility.

Three boilers produce steam that is used to generate electricity. One boiler is fueled by biomass – the tree bark and

Domtar's paper pulp mill near the Ohio River in Daviess County is one of eight the Montreal-based company operates. Its website states that sustainability is comprehensively fully embedded into its daily activities. The Hawesville plant has had a Combined Heat and Power project since 2001 than can generate 88 megawatts of power using its own byproducts.

sawdust the plant can't process. The other two are powered by chemical recovery in which the "liquor" byproduct compounds from wood cooking are recycled and produce "green" steam, Henry said.

"This basically allows us to run a giant recycling process," he said.

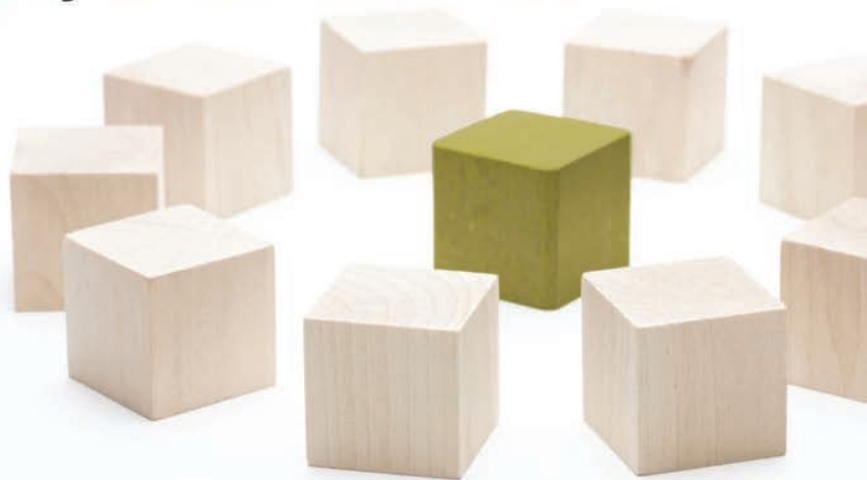
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The Domtar plant's two main production lines are the primary users of the "green" steam generated from the Combined Heat and Power process it employs.

The resulting steam turns turbine generator blades to produce electricity, he said. Further, the waste steam from the turbine generator is used in Domtar's manufacturing process.

Renewable sources produce 96 percent of the steam, Henry said. Fossil fuels only are used when crews are starting the boilers and during brief periods when the boilers are down.

The system has an 88-megawatt capacity, according to state documents.

"It's a great environmental impact, and it's helping us stay competitive," Henry said. The energy cost savings help the company remain more viable in the increasingly competitive paper market.

Henry did not share dollar figures, but said the plant produces 75 percent of its electricity and purchases the remainder from Kenergy.

"We produce enough green electricity to power 22,600 homes," he said.

The CHP design used at the Hawesville mill, which received a Combined Heat and Power Energy Star award from the U.S. Environmental Protection Agency and U.S. Department of Energy in 2005, is 86 percent efficient.

Still, while any type of CHP brings efficiency, Henry is concerned about the EPA's proposed carbon regulations because of the plant's biomass fuel source.

"The (EPA) plan treats green biomass the same as fossil fuels with regard to contribution to greenhouse gases, even though the EPA acknowledges that biomass can have climate benefits compared to fossil fuels," he said.

Awareness of CHP issues the first step

CHP designs, costs and benefits vary, and the new program sets out to educate manufacturers while considering their individual circumstances. The Kentucky Pollution Prevention Center will play a key role in helping companies determine if CHP implementation is right for them.

Find out more on Combined Heat and Power

More information is available from the U.S. Department of Energy, Southeast Combined Heat and Power Technical Assistance Partnership at southeastchptap.org.

For a complete listing of workshops or for more information, email Bill.Lunsford@ky.gov or visit energy.ky.gov.



"We come in as a technical resource through assessments and training," said Lissa McCracken, the center's director. Center staff will work with manufacturers through screenings and then feasibility studies.

Created in 1994, the center already offers free, confidential, non-regulatory assessments to help Kentucky businesses become more environmentally sustainable and competitive.

"We'll go to a site and look at their energy use. Sometimes, we make suggestions that don't cost anything; it's just behavior changes," Eakle said.

With the new program, the center will extend its assessments to include CHP consideration.

"There are some bigger institutions that have been weighing CHP as an option," McCracken said, noting the program's partnership process could remove some issues.

Another noted challenge concerns utilities, partners said.

On one hand, an appealing feature of CHP for organizations is that it is unaffected by grid outages. Yet, companies usually don't rely on CHP for 100 percent of the energy demand. A utility company might provide a portion on the energy or at least be on standby, said Guess. The standby charge could be a barrier for companies considering CHP.

"A utility has an investment in the equipment that's providing occasional or limited use. Working out that

arrangement is a key to making CHP work in Kentucky," he said, noting a number of utility companies and cooperatives are involved in the state's new program.

Additionally, excess CHP-produced electricity could be sold to a utility, partners said.

Nine CHP systems already in place

Throughout Kentucky, nine companies use CHP, Lunsford said. Fuels used include biomass, waste heat and natural gas, and a variety of technologies are used, such as Domtar's boiler and steam turbine set-up in Hawesville, according to program documents.

The latest company to adopt CHP is Owensboro Grain, which had not yet started using the system, Lunsford said. That system's capacity is nine megawatts, and it is powered by natural gas, according to program documents. Company officials could not be reached for comment on the new CHP system.

Partners said CHP could make a significant impact on Kentucky's energy consumption and carbon emissions, and Lunsford said they are now getting a better handle on what the practical implementation of CHP might be.

"There's significantly more potential," Lunsford said.

"It could be unlimited," Higdon said of CHP's potential. "That being said, it depends on how the program and policies are put together and how the program is marketed." ■



Lissa McCracken,
Director,
Kentucky
Pollution
Prevention
Center

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



The DineTime restaurant guest management and customer app by QSR Automations is in testing at dozens of locations around Louisville, such as Bearno's By The River shown here. In the photo are, from left, Lee Leet, president and CEO of QSR; Marissa Arms, then a DineTime marketing coordinator; Steve Higdon, QSR vice president for marketing; and Hilary Vonderheide, QSR marketing for the DineTime app.

DineTime Plans to Turn the Tables

Restaurant technology provider QSR Automations believes it has recipe for better, more profitable service

BY MARK GREEN

RESTAURANT technology provider QSR Automations of Louisville has launched a new guest management tool, DineTime, that it believes could surpass the success of its ConnectSmart solution, which is installed in 70,000 quick-serve sites around the world.

A cloud-based tablet application for eatery operators, DineTime also is a smartphone app for consumers. It lets diners scan restaurants and current table wait times in their geographic area, then join the waiting list at the one they choose. DineTime notifies customers by text or email of their initial wait time, texts them when they're being seated and allows two-way messaging in the meantime.

As in many business sectors, mobile technology is transforming restaurant operations, said Lee Leet, president and CEO of QSR, which is the biggest tech services provider to the industry in the world.

The truly robust functions of DineTime are for restaurant operators. A hostess can assess current use of all tables – by size, by section, by how fast they are turning – and seat parties with a drag-and-drop swipe from the wait list. Managers or owners can monitor everything from near or far as long as they have Internet access to the cloud-based data.

And that is just scraping the surface. Among the features DineTime is being designed to provide are wait time tracking; reservations; guest notes; multiple device syncing; graphical floor plans; staff and station assignments; guest books and automatic guest lookup; history tracking; daily, weekly, monthly and yearly dashboards and reports; and exporting of guest data.

It went into testing in the spring at an initial dozen Louisville restaurants – there were more than 30 users in late June – with plans for a national rollout later this year.

An indication of just how big the restaurant technology sector can be came in mid-June when Priceline announced it was acquiring Open Table, an online reservation and restaurant management tool that is in wide usage, for \$2.6 billion.

DineTime expects to provide restaurateurs with better analytics that allow them to improve short- and long-term operation efficiency while also building stronger relationships with customers, Leet said. The guest notes feature can allow any host or server to know a returning diner's preferences and special needs: where they prefer to sit, a favorite drink, what they are allergic to.

It will allow comparisons among multiple locations and eventually against the baseline statistics of all DineTime users. Using the analytics it generates, managers facing a busy day or evening can match up the table-turn efficiencies of individual servers with appropriate section and table sizes.

The initial wait time to be seated is what the metric diners themselves care most about, but during busy times, it is a result of all the other operations taking place in a restaurant, Leet said. That includes how long after seating an order is taken, when that order hits the kitchen, preparation and plating time, serving the food, eating, drink service, check printing and then payment.

"A restaurant ebbs and flows with the kitchen," said Leet, a computer code writing engineer who founded QSR Automations on Jan. 1, 1996, while still in his mid-20s. It grew out of an assignment he was given by KFC to come up with software to help coordinate operations at co-branded stores with Taco Bell.

A University of Louisville Speed School of Engineering grad, Leet had served in the Air Force and emerged with a strong desire to have his own plane. Quickly deciding he would need his own business to afford that, Leet said he was on the lookout for any task that could become the basis for a business.

Coordinating slow-cooking KFC chicken and quickly prepared Taco Bell orders with a kitchen display system that



Lee Leet, President/CEO, QSR Automations

worked faster than what they had “presented an opportunity,” he determined.

“I thought this was something I could form a company with,” Leet said. He offered to write the coordination coding work for free on the condition that if it worked, Tricon Global Restaurants, the parent company of KFC and Taco Bell – and predecessor of what today is Yum! Brands Inc. – would buy it. Then 25 years old and living in a cheap apartment, Leet covered his own expenses for nearly six months and came up with a preliminary product “in about a year.”

Then he spent several months trying to get it to work on an NCR platform that Leet finally determined had a number of bugs. He wrote a report on the flaws and proposed fixing them, but it was not well received by the third-party vendor he was working with who was also an NCR equipment provider.

“He told me I was an idiot and a moron and I didn’t know what I was talking about,” Leet recalled. “He said my software was what was wrong.”

Fortunately, Leet had established a strong relationship with a KFC vice president who trusted him so much that he asked Leet to create the hardware, too, for the new product and came up with funding for a prototype. He designed, tested and built systems for about two dozen co-branded Taco Bell/KFC restaurants in the Houston area.

Today QSR Automations – QSR stands for quick-serve restaurant – has about 100 employees,” said Steve Higdon,

its vice president of marketing. Its ConnectSmart product is the market leader in kitchen display systems for chain restaurants such as Yum! Brands locations, Darden Restaurants such as Olive Garden; Cracker Barrel; Cheesecake Factory; P.F. Chang’s; and others. Its systems are used to seat more than 1 million restaurant customers daily, Higdon said.

With DineTime, it will be taking on Open Table, which already is in the restaurant and guest management space with some 35,000 installations. QSR introduced DineTime during Taste of Louisville in February when 200 media members were in town in connection with a restaurant industry trade show.

DineTime Host for restaurants is a rebranded and much enhanced version of ConnectSmart Hostess. A goal of the DineTime app for customers is for it to grow into a restaurant guide. Users can sort restaurants by cuisine, price, rating and a radius of their choosing from their current location. The app links with a smartphone’s GPS to take diners to the restaurant they choose.

Mobile and cloud technology make DineTime cheaper than Open Table, Higdon said.

“It allows us to reach 80 percent of the (restaurant) market that could never afford the other version,” he said. Costs top out at \$99 a month. Users can download the product interface onto a tablet, input their locations’ room and table geographies, their staffing data, and begin operating.

“I do like it. It’s been a great replacement for the grease pencil marking on a piece of glass method,” said Adam Lee, manager of Austin’s and KT’s restaurant



Steve Higdon,
Vice President
of Marketing,
QSR
Automations

A display screen for the DineTime Guest Management application depicting a current waiting list and table use.



ants in Louisville. “It makes it simple, and it’s lots more professional.”

Installation was “incredibly easy,” and fears that his older professionals with 20 years and more of restaurant experience would have difficulty adapting proved unfounded, Lee said.

Customers are offering positive feedback, and reservation system coordination has been smooth so far.

“The biggest thing for me,” Lee said, “is that it replaced the pager system” and the large plastic puck-like devices that lit up and vibrated to notify customers their table was ready.

Also important is DineTime’s cost.

“We looked at Open Table but it was cost prohibitive,” he said.

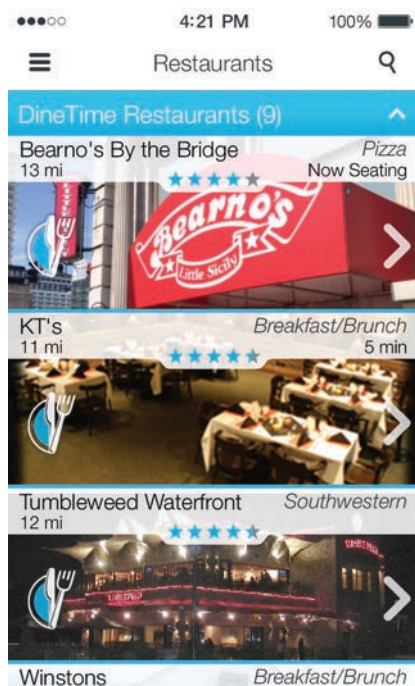
Lee likes the analytics DineTime is providing on a daily basis, too, he said. It is developing a database of average table-turn times for lunch and dinner, which are beginning to allow assessment of the efficiency of individual servers.

By late May, Higdon said, there had been about 2,500 consumer downloads of DineTime and about 65 restaurants activating the features diners can use.

DineTime is expected to go into national release sometime in the third quarter of this year. QSR sees a potential market of as many as 300,000 restaurants across the United States. England will be its next market. ■



Adam Lee,
Manager,
Austin's
and KT's
Restaurant
and Bar



A display screen for the DineTime Customer application depicting the cuisine, wait time, ratings, and distance away from the user of available restaurants.

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

Virtual World Conquerer



Wes Keltner and Gun Media add a winning videogame launch to list of successes

BY FRANK GOAD

WES Keltner didn't start his work life with the goal of developing video games, although the Campbellsville, Ky., native has always enjoyed games a lot. Now, it's a serious career option for the evolving entrepreneur.

He and his Lexington-based firm, Gun Media, built a name across the U.S. marketing realm in the past decade as the go-to people to guide businesses through the tricky waters of using new media. Creating digital spaces that attracted millions of virtual visitors cemented a reputation for being out ahead of online trends.

Last year, "Breach and Clear," a high-quality videogame for smartphone and tablet devices, came out successfully and another gaming product is in the works.

Before submerging himself into "Breach and Clear," he and his boutique agency were already busy, having gotten into "app" development at its dawning. Keltner at one point regularly monitored a couple of hundred blogs, scanning what he estimated at about 2,000 headlines a day. Doing so gave him the

capability to connect the dots regarding the significance of new technology, media and communication trends – leading national ad agencies to beat a path to his door for ideas.

Meanwhile, Keltner is adamant about learning how to talk to the people who support entrepreneurs and provide funding for nascent businesses. One of those is Warren Nash, director of the Von Allmen Center for Entrepreneurship in Lexington, which also houses the offices of the Kentucky Innovation Network. The network promotes new industry by helping businesses with fundamental startup advice, research, business planning and, perhaps most importantly, works to create partnerships with fledgling business and public or private entities.

"We helped Wes develop his 'pitch,' if you will, and adjust his message to the investor audience he needed to approach," Nash said. "For the average investor we work with, gaming is an



Warren Nash,
Director, Von
Allmen Center
for Entrepreneurship

Wes Keltner heads Lexington-based Gun Media. Formerly the boutique TOA Agency that consulted for corporations and ad agencies, built apps and did product placement in video games, Gun is a publisher of interactive entertainment for a wide range of platforms and gamers. Its first game product was "Breach and Clear," released last year for mobile devices.

unknown, and he was very eager to know what they wanted and needed to hear to understand his vision. We helped him explain the business fundamentals of his venture in ways that made sense to people considering investing in Gun Media. We are very pleased with what Wes has done, and so are the 'angels' who supported him."

The result was two fruitful rounds of fundraising in 2011. Other people's money in hand, Keltner said he set aside all other Gun Media activities to focus on executing what turned out to be a successful product in a crowded sector.

A creative more than a techie process

Keltner has a record of coming up with breakthrough commercial communication.

In explaining what he and Gun Media do, Keltner quickly and perhaps surprisingly says he is not a "techie" and his isn't a tech company – rather it's a creative company that uses a variety of tools to make things in which people become immersed.

"I'm not a tech, but I sit down by a composer in front of a 45-piece orchestra and work on the soundtrack," he said. "I don't know how to program an app, but when I sit in a room (with programmers), I know what the logo should look like, what the branding should be. I write the game document: What is this game about, and what does it look like, and what devices does it run on? Then I find the people to do the work and it's off to the races."

The new media mastery all started when Keltner met a journalism professor in college in Lexington who ran a gaming website with reviews of current game offerings. Keltner wasn't interested in becoming a gaming journalist – he liked the free games for writing reviews about them. And this also gained him admittance to the big gaming conventions, which introduced the larger gaming and new media world.

After a couple of years working for the website, he and a few friends started

A screen shot from Gun Media's "Breach and Clear," a turn-based game in which players acting as special operations force members must "breach" spaces and attempt to "clear" enemy combatants by plotting strategy before they and then their opponent initiate it.

a gaming podcast "before there was a name for podcasts," Keltner said. Soon realizing that project wasn't going to reach the heights he envisioned, he started looking around and thinking about "what's next" – a process that became a career steering mechanism.

In early 2005, he saw that major national and global brands were dabbling in gaming and the online world mediums.

"It was a bit like the Wild West because few were using it," he said, "and for those that were, I didn't think they were doing it very well." He could see that what they were doing in terms of brands and commerce could be greatly improved.

Online marketing history is made

In late 2005, he was looking into Second Life, whose richly executed three-dimensional online site had exploded into a community where users' avatars interacted and had complex relationships – even marrying – within a virtual world, replicating many physical places and social institutions found in real life.

Keltner noticed that although two-year-old Second Life had millions of deeply immersed users, there was brand presence but no corporate commercial activity. He saw an opportunity everyone else had evidently missed.

"It was a great place to put my money where my mouth is," he said. "I'd been saying how everyone else was doing (online) wrong and this was a place to show how to do it right."

He started looking for a brand willing to take a chance and called a friend's



father who was operations manager for young adult clothing maker American Apparel. He put Keltner in contact with its online manager, who liked the proposal and authorized a budget to put American Apparel into Second Life not just as a brand (there was already signage and virtual stores) but as a "real" vendor whose virtual store took real money. Come to the Los Angeles headquarters, Keltner was told, for a conversation about how to proceed.

With only enough money then to buy either a plane ticket or a business suit, Keltner said he chose the plane ticket – his father came up with funding for the new suit. An unexpected circumstance awaited when he arrived at American Apparel headquarters, however.

"Everyone was dressed like I am now,

jeans and T-shirts," he said, "but I was wearing an awesome suit that was tailored just for me."

Nevertheless, the American Apparel team loved Keltner's presentation on how "each Second Life character is 'born' in jeans and a white T-shirt. (Avatars) can get more clothes, but they are created in (virtual) 3D by other players, not companies like yours. They have their own shops – ones like you could create, and where people would use real money to buy the clothes."

It had never been done. But with innovation came a problem:

Keltner had no idea what to charge, and did not know what American Apparel had been paying for online services. Would his project be considered marketing, advertising, online services, something else? He asked how they usually handled this and what they usually paid?

"After some discussion among everyone there, the manager said, 'Look, I've got (X dollars) per month to spend on this,' and I said, 'Well, that's exactly how much it costs! It will take four months to build it.'"

The manager agreed on the spot. In hindsight, Keltner said, "If I knew then what I know now, I'd have charged 30 to 40 times that amount, but it was totally new. On the other hand, the manager took quite a risk because it was totally new."

Keltner and his team fulfilled the contract, and the American Apparel store opened in Second Life. It paid off and in a big way. It made online history.

"We launched the store and 'turned the lights on' so to speak, and the first day it was open 150,000 people (avatars) came



Gun Media founder and creative director Wes Keltner recruited gaming superstar Robert Bowling, a Northern Kentucky native who was a creative force behind the success of the "Call of Duty" franchise, to play an active role in developing "Breach and Clear."

"Breach and Clear" was one the Apple Store top selling game apps for the month when it was released in July 2013. It was IGN game of the month in October 2013 after release for Android system mobile devices.

in. Over 1.5 million came in seven-and-a-half days," Keltner said.

Shortly after, a reporter for *The Wall Street Journal* called him for an interview. The next Monday, the story was on the cover of WSJ's Marketplace business section. *Advertising Age*, *The New York Times* and others followed suit.

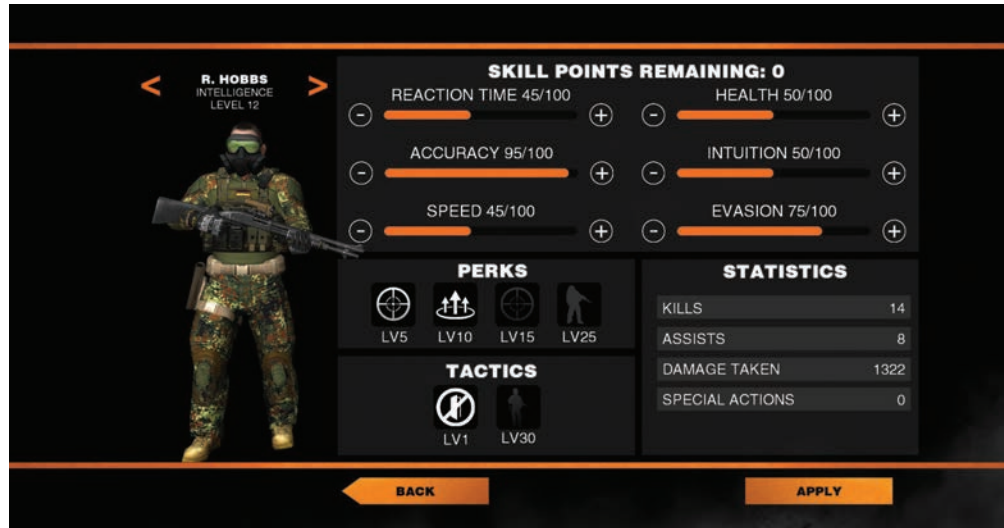
Small agency steadily produces big ideas

Keltner founded The Ad Option, a new media marketing and advertising company specializing in video games and getting ads in and around the gaming culture. The name was shortened to TAO Agency, which today is Gun Media.

Notable TAO projects included allowing smartphone users to interact with Clear Channel Spectracolor's 30-foot by 40-foot high-definition video billboard in New York City's Times Square.

"Instead of just being sort of a one-way street and something people looked at, they asked how we could make it interactive for people on the street, which we did," Keltner said.

"Soon after, the folks at Ford Motor Co. contacted us and asked, 'What do



you know about this (not yet released) Apple (i)Phone?' We replied, 'Well, nothing,' to which they said, 'Start researching it.'

"That was when Apple was about to open their app store. We reported back to them, and the Ford folks said, 'We're introducing a car called the Flex, and we want you to make an app for it. But we don't just want a car app – that's boring. We want something where you can edit photos.' We made an app where you could take pictures, edit them and add little things to them. We would have

been the first, but Audi beat us by three days to have the first car app because Apple held up the paperwork."

A steady stream of people from large ad agencies and corporate marketing departments began coming to TAO to ask how to use evolving social media and mobile devices, and how to market their products.

"It was OK; we made some money," Keltner said. "But I got tired of running a service business with a hunt-kill-eat cycle to keep the business moving. I wanted a business that avoided that daily grind, and

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where I could go to bed, wake up the next day and have made money while I was asleep. I wanted a product that was on the shelves around the world and you could buy it 24-hours-a-day."

That was when Gun Media was born. Keltner named it Gun, he said, "because when you say the name 'gun,' there is an immediate reaction, and it's either good or bad. If I named my company Creative Game Design, that's generic and people won't remember it. I wanted a name that, love it or hate it, it's hard to forget it."

and who plays them. That's the biggest hurdle I have to overcome every day.

"There is also a bigger macro problem in that they also think only kids play video games, but more adults play video games than kids. Over 68 percent of all Americans play video games. The average age is 30, their average income is \$79,000 per year, they've been playing for an average of 12 years, and 40 percent are female.

"How many gamers are there? Most studies say around 350 million – this is not kid's stuff. Another mistake people make is thinking that television demo-

"He's a very smart, very creative person. He knows how to develop very engaging games," O'Leary said. "He's going into something new, and he's done the hard work to make connections in the industry and understand the marketing and understand his audience. He's got the vision and tools; he's very driven and has the background to put it all together."

KSTC likes to work with those advancing big ideas.

"Much of the tech we are involved with is either on the creative side – content creation for games – versus the efficiency side where people are creating things to handle a process or increase productivity," O'Leary said. "He's created a very unique business and knows just what he wants to do."

KSTC and others have begun talking about an emerging video game business sector.

"There are more interesting, cool, and creative things going on in the last three years than I've seen in the 15 that I've lived (in Lexington)," Keltner said. "Our generation is making it happen, not the government or local anything that's doing it. It's the people who want to see things happen here, so they make it happen. They do it."

He answers indirectly regarding whether he is part of new business cluster.

"The curse of the entrepreneur is to live a life of constantly seeing potential," Keltner said. "Some people see that as never being happy, but that's not true. I'm almost always happy, but I look at a thing and think about how it could be better."

One thing he'd like to see is a video-game design course of study at the University of Kentucky and other state schools. While that would be difficult to launch, still he has hope and thinks it's possible.

When asked about the flood of apps that his product development efforts face, Keltner said, "Competition has completely changed in the last 10 years. It's not me versus another company, it's the clutter and noise" in the marketplace to overcome in getting a product to potential buyers.

"Breach and Clear" made it, though. Because of its success, a video game publisher came to Gun Media, which now has another game in development. ■



Sean O'Leary, Associate Vice President, Kentucky Science and Technology Corp.



Wes Keltner presents during a TED x Lex conference in 2010 in Lexington. TED stands for Technology, Entertainment, Design and a global set of conferences owned by the non-profit Sapling Foundation, which bills the events as "Ideas Worth Spreading."

A product that sells 24 hours a day

During Gun Media's first year, Keltner and his staff worked with major video game producers such as Electronic Arts, Activision and Microsoft.

"They would have a game in development and we would go play them, give them the game's pros and cons, and tell them what to expect from critics."

During that time, Keltner worked on his business plan and envisioned what he wanted to do – and that was make a game. He also spent time looking for venture capital under the guidance of people with experience in starting tech companies.

"Those people helped me find champions and craft my narrative into a more friendly chat to use in raising money," he said. "People unfamiliar with gaming often have a mindset about what a game is

graphics reflect what gamers are into, but that is not so."

Despite the uphill battle to create understanding with potential investors, mentors helped him get the funding needed to create one of the most popular games created for Apple mobile devices, "Breach and Clear," which was released in July 2013.

How popular? It jumped into the 10 section of Apple's App Store in its first 24 hours.

Despite his personal claims to the contrary, Keltner is considered part of a burgeoning tech industry in the state, and, like many entrepreneurs starting in the local tech industry, he works with the staff of the Kentucky Science and Technology Corp., a nonprofit dedicated to the advancement of science, technology and innovative economic development.

An emerging videogame business sector?

Sean O'Leary, associate vice president at KSTC, is among those impressed with Keltner.

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

SPOTLIGHT ON THE ARTS



Nine Kentucky Organizations receive NEA Big Read Grants

NATIONAL Endowment for the Arts grant support is coming to three Kentucky organizations for community reading projects as part of this year's The Big Read program, which supports local reading programs and participation by diverse audiences.

Applicants picked from among 36 selections of American and world literature around which to develop innovative programming. The 77 organizations selected nationally for support get a grant, access to online training resources, and materials designed to support widespread community involvement.

Kentucky organizations receiving The Big Read grants are:

- Paramount Arts Center, Ashland, \$17,000
- Pennyroyal Arts Council, Hopkinsville, \$12,000
- Owen County Public Library, Owenton, \$7,600

They host a Big Read project between September 2014 and June 2015.

Stuart Horodner Named New Director of the UK Art Museum

STUART Horodner, assistant director of the Atlanta Contemporary Art Center, has been named the new director of the University of Kentucky Art Museum.

"I'm excited about the museum's role on the campus, in the Lexington community and beyond," Horodner said. "It is an exciting opportunity for me to oversee exhibition strategies and collection-building, and work with staff and stakeholders to deliver ambitious educational programs and collaborative endeavors."

He has been visual arts curator at the Portland (Ore.) Institute for Contemporary Art, director of the Bucknell University Art Gallery in Lewisburg, Penn., and co-owner of Horodner Romley Gallery in New York, according to a UK news release. Horodner has a bachelor of fine arts from the Cooper Union for the Advancement of Science and Art, and a master of fine arts from Rutgers University.



Stuart Horodner

Arts Events Around the State

Back Alley Musical Carousel

River Park Center, Owensboro
7:30 p.m. July 26-27
riverparkcenter.com
(270) 687-2770

"Cats"

Paramount Arts Center, Ashland
7:30 p.m. July 31
paramountartscenter.com
(606) 324-3175

Kentucky Show

The Kentucky Center for the Performing Arts, Louisville
1-4 p.m. July 1
kentuckycenter.org
(502) 562-0100

Second Life Art Exhibit

Kentucky Museum of Art and Craft, Louisville
Through August 31
kmacmuseum.org
(502) 589-0102

Polymer Clay Jewelry

Demonstrated by BSpoken Design Artists James Rich and Diana Smith Thomas
Kentucky Artisan Center at Berea
10:30 a.m., 3:30 p.m. July 26
kentuckyartisancenter.ky.gov
(859) 985-5448

Beatle Madness

SkyPac, Bowling Green
7:30 p.m., July 26
theskypac.com
(270) 904-1880

Hazard, Louisville Receive ArtPlace America Funding

PROJECTS in Hazard and Louisville will receive grants totaling \$300,000 from ArtPlace America, a national collaboration among 14 foundations, eight federal agencies and six financial institutions dedicated to strengthening the "creative place-making" movement.

This year's 97 ArtPlace grants aid plans in which artists and arts organizations play central roles in strategies to shape their communities' social, physical and economic futures. The two Kentucky projects are:

- I.D.E.A.S. 40203's Creative Innovation Zone, Louisville – \$250,000

I.D.E.A.S. 40203, in partnership with Youth-Build Louisville, is establishing a Creative Innovation Zone to fill the need for a community center in a mixed-income residential neighborhood in the Smoketown section of Louisville.

"As an artist-led, entrepreneur-focused chamber of commerce with deep commitments to fairness, social justice and economic rigor, we are redefining what a chamber of commerce can be and do in the 21st century," said Theo Edmonds, I.D.E.A.S. 40203 co-founder.

The Creative Innovation Zone will integrate art, technology and entrepreneurial programming at multiple sites to be a hub for innovative cultural and economic initiatives in Smoketown. To increase connectivity to the community, the project includes two residency projects, each consisting of four artist-innovators, whose goal will be developing ventures around education, public design and entrepreneurship.

Louisville Metro Housing Authority received a federal HOPE VI grant in 2011 to demolish and replace Sheppard Square. By 2015, 220 former Sheppard Square families are to return to the neighborhood, with half those residents expected to be younger than 25.

- River Arts Greenway, Hazard – \$50,000

Hazard's River Arts Greenway Project will develop land along the North Fork of the Kentucky River in the city's historic downtown. The project will engage artists in completion of the landscape design to include public art performance and temporary installations alongside community and ornamental gardens and a walking path.

Pathfinders of Perry County is the project's lead partner along with Foundation for Appalachian Kentucky. Pathfinders will work closely with InVision Hazard, a citizen-led downtown revitalization initiative, to foster innovative experiments in the arts and social entrepreneurship, including a community leadership institute that engages young emerging community leaders. Participants in the leadership program, developed in partnership with Eastern Kentucky University, will design and launch their own small-scale entrepreneurial projects.



Lori Meadows is executive director of the Kentucky Arts Council.

THE LANE LIST

ECONOMIC DEVELOPMENT DEALS IN KENTUCKY

New and expanding industries **ranked by total investment** from June 1, 2013 to May 31, 2014

Number of projects dropped significantly last year

Western Kentucky is attracting more of the state's largest new and expanding industries investments with four of the six largest projects last year locating in Bowling Green and Hopkinsville.

Quiver Ventures is putting nearly \$156 million into Bowling Green's Transpark to open an aluminum sheet-producing plant with 80 new, full-time jobs. The city also landed a steel-production mill, Bilstein North America, which promises to invest \$120 million and create 90 full-time jobs.

US Smokeless Tobacco Co. is investing \$125 million in Hopkinsville and creating 42 full-time jobs, while PTC Seamless Tube Corp. is creating 283 jobs there and investing nearly \$109 million for a new facility to produce seamless tubes for the energy industry.

Compared to the previous 12 months, overall announcements were down significantly during the past year. From June 1, 2013, to May 31, 2014, there were 282 announcements of new and expanding industry in Kentucky, which is 73 fewer than the previous year. Total capital investment was \$2.7 billion (a 33 percent drop from

last year's \$4.05 billion) and 12,764 jobs were created, more than 2,000 fewer than the previous year.

The state's main economic engine, the Louisville-Jefferson County area, had 75 announcements totaling \$507 million and 2,943 new jobs. Louisville had the fifth largest project in the state. In September, Lubrizol Corp. announced plans to spend \$108 million for a facility to produce CPVC resins and compounds, and PVC emulsions.

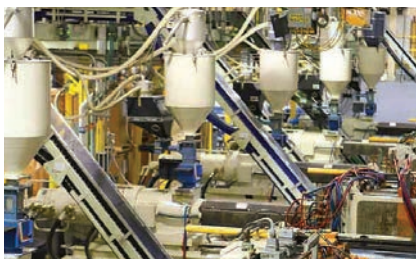
The Lexington-Fayette County area had 15 announcements totaling \$42 million and 482 new jobs. The largest of those announcements was from Alliance Coal, which is investing \$8.3 million and creating 25 new jobs at a new regional headquarters in Lexington.

The Northern Kentucky counties of Boone, Kenton and Campbell had 29 announcements totaling nearly \$180 million in investment with 1,503 new, full-time jobs. The largest is a \$52 million investment by eBay Enterprise, which is creating 354 new jobs for the expansion of its Richwood facility.

FACILITY	WHAT IT DOES	COUNTY/CITY	INVESTMENT	INITIAL JOBS	JOBS TOTAL
Quiver Ventures LLC	Produces aluminum sheet	Warren/Bowling Green	\$155.9 million	80	80
US Smokeless Tobacco Manufacturing Co.	Smokeless tobacco production	Christian/Hopkinsville	\$125.0 million	42	42
Bilstein North America	Steel production mill	Warren/Bowling Green	\$120.0 million	50	90
Diageo Americas Supply	Alcoholic beverages	Shelby/Bagdad	\$115.0 million	11	31
Lubrizol Corp.	CPVC resins & compounds, PVC emulsions	Jefferson/Louisville	\$108.4 million	24	24
PTC Seamless Tube Corp.	Seamless steel tubes for the energy sector, such as oil country tubular goods (OCTGs)	Christian/Hopkinsville	\$102.4 million	283	283
Carriage House Companies	Mexican salsas, barbecue steak sauces, chocolate and pancake syrups, jams & jellies	Oldham/Buckner	\$96.8 million	225	225
Champion Petfoods USA	High-end pet food	Logan/Auburn	\$85.3 million	70	147
CSX Transportation	Railyard and service center	Christian/Hopkinsville	\$83.4 million	50	70
Clariant Corp.	Catalysts and clay products, headquarters	Jefferson/Louisville	\$82.8 million	34	34
Ford Motor Co.	Production of super duty pick-up trucks (F-250 through F-550), Ford Expedition, Lincoln Navigator	Jefferson/Louisville	\$80.0 million	350	350
Airgas Inc.	Liquified gases	Marshall/Calvert City	\$70.0 million	40	40
Maker's Mark Distillery	Bourbon whiskey	Marion/Loretto	\$67.8 million	20	20
Hitachi Automotive Systems Americas	Manufacture and assembly of brake and suspension systems. Processes include machining, plating, painting, welding, and assembly. Shocks, struts, brakes, compressors.	Madison/Berea	\$63.0 million	200	200
eBay Enterprise	Expansion of Richwood facility by leasing a newly constructed second building adjacent to current building.	Boone/Richwood	\$52.0 million	250	354
International Crankshaft	Crankshafts and steel forgings	Scott/Georgetown	\$46.6 million	15	36
The Glenmore Distillery	Whiskey, gin, vodka, wines, brandy and cocktail bottling	Daviess/Owensboro	\$45.6 million	20	20
eBay Enterprise	Electronic commerce fulfillment and distribution	Jefferson/Louisville	\$45.0 million	100	153



Gov. Steve Beshear last fall joined Mubea and northern Kentucky officials to cut the ribbon on the automotive supplier's \$60 million tailored rolled blank advanced manufacturing facility in Boone County.



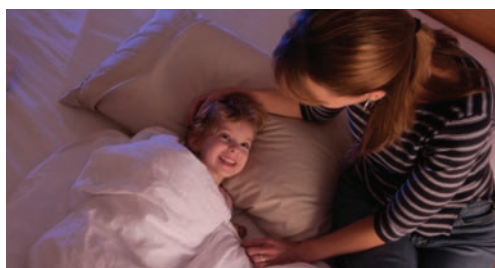
A shot of the U.S. Smokeless Tobacco canning process taken at the Nashville manufacturing facility. The company is investing \$125 million in Hopkinsville to open a smokeless tobacco production plant that will employ 42 workers.



Ford is investing \$80 million and creating 350 jobs at its Kentucky Truck Plant in Louisville to meet surging demand for F-Series Super Duty trucks.

Sam VanHagen/Ford Motor Co. photo

FACILITY	WHAT IT DOES	COUNTY/CITY	INVESTMENT	INITIAL JOBS	JOBS TOTAL
Mubea	Automotive component parts (springs, hose clamps, stabilizer bars)	Boone/Florence	\$44.5 million	230	230
Custom Food Products	Meat processing and packing	Bath/Owingsville	\$44.4 million	200	200
Tower International	Automotive structural components	Bullitt/Shepherdsville	\$36.5 million	25	78
Woodford Reserve Distillery, Labrot & Graham Proprietors	Distilled liquors	Woodford/Versailles	\$36.3 million	14	15
Catalent Pharma Solutions	Convert raw materials to finished products in the form of tablet, capsules or powders, introduce final packaging operations and provide a new analytical laboratory.	Clark/Winchester	\$35.0 million	34	90
Mitsubishi Electric Automotive America	Automotive electronics including vehicle entertainment system, ignition coils and engine control units.	Mason/Maysville	\$30.0 million	200	200
Dr. Schneider Automotive Systems	Plastic components for automobiles	Russell/Russell Springs	\$30.0 million	115	155
Celanese	Plastic materials, regional headquarters, R&D	Boone/Florence	\$25.7 million	10	10
Owensboro Grain Co.	Soybean crude oil and meal; biodiesel	Daviess/Owensboro	\$25.0 million	10	10
Beam	Warehouse, order processing center	Franklin/Frankfort	\$25.0 million	60	60
Shop HQ	Warehouse, order processing center	Warren/Bowling Green	\$25.0 million	150	150
TerrePURE Kentucky Distillers	Distilled spirits/bourbon	Daviess/Owensboro	\$23.0 million	70	70
Second Rotation Inc dba Gazelle	Online trade of electronics	Jefferson/Louisville	\$22.3 million	125	438
Buffalo Trace Distillery	Distiller of bourbons and American whiskeys	Franklin/Frankfort	\$20.5 million	40	40
Hendrickson USA	Fabrication Operation to Supply Existing Facilities in Ind. and Tenn.	Hardin/Elizabethtown	\$20.0 million	75	75
Mitsui Kinzoku Catalysts America	Manufacture catalytic converters for automobiles and motorcycles	Franklin/Frankfort	\$19.5 million	30	50
Vangent	Customer care center for Medicare/Medicaid	Laurel/London	\$18.6 million	1,000	1,000
Brady Worldwide Inc.	Synthetic sorbent materials used in industrial maintenance and environmental applications for spill clean-up, containment and control	Jefferson/Louisville	\$18.3 million	86	121
Kayser Automotive Systems USA	Ready-to-install modules for the automotive industry	Fulton/Fulton	\$17.6 million	85	121
PMC Organometallix	Organic and inorganic tin chemicals; catalysts for automotive paint, stabilizers for vinyl products and additives for glass industry	Carroll/Carrollton	\$16.4 million	10	36
AEP Industries	Polyethylene films, plastic bags and packaging materials	Warren/Bowling Green	\$16.0 million	35	35
Cobb Vantress	Feed mill	Clinton/Albany	\$15.2 million	17	17
QuadGraphics	Book printing, binding and distribution	Woodford/Versailles	\$15.1 million	74	74
Horizon Steel Co.	Flat-rolled steel manufacturing	Warren/Bowling Green	\$15.1 million	12	30
Serco	Medicare and Medicaid service support center (CMS)	Laurel/London	\$15.0 million	1,000	
Rev-A-Shelf	Kitchen and bath convenience products; plastic, chrome and wood storage organizers, child-proof locks, closet organizers	Jefferson/Louisville	\$14.4 million	25	25
Whitehall Industries	Aluminum parts for automotive industry	McCracken/Paducah	\$13.0 million	78	150



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A New Take on Arts and Crafts

Shakertown to host inaugural craft beer and music festival

BY KATHERINE TANDY BROWN

MENTION the term “hand-crafted,” and Shaker Village of Pleasant Hill immediately comes to mind, with its exquisite hand-made furniture, delicate boxes and intricate quilts. Later this summer, the word will take on a completely different meaning at this beloved 3,000-acre historic attraction near Harrodsburg.

On Aug. 8-9, Shaker Village, in partnership with Shaker Steps Productions, will host a craft beer and music festival, Well

Crafted – Local Brews + Local Bands. A celebration of Kentucky’s rich, diverse music tradition and its burgeoning craft beer culture, the inaugural event reflects a recent move toward a more “up close and personal” approach for visitors to the country’s largest restored Shaker community, while showcasing superb area songs and suds. On the music side, 20 touring and local artists will offer an eclectic mix of folk, bluegrass, alternative country, blues and indie rock.

Shaker Village at Pleasant Hill will rock with its inaugural Well Crafted festival featuring local craft beers and favorite local musicians in August.

Friday night, Louisville singer-songwriter Dawn Landes headlines at a boot-scootin’ dance in the Meadowview Barn, rustic home to the Chamber Music Festival of the Bluegrass every May. On Saturday, when two stages rock, the top spot belongs to Ben Nichols, lead singer of Memphis country-rock band Lucero and star of the acclaimed MTV series *\$5 Cover*.

Featured bands include local faves Coralee & the Townies and Tyler Childers, along with touring artists John Moreland, Austin Lucas, Freakwater, and Kelsey Waldon, one of newly launched *Rolling Stone Country*’s “10 New Artists You Need to Know.”

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At the Craft Beer Garden, cool brews on a hot day include those from Lexington-based West Sixth Brewing, Alltech Lexington Brewing and Distilling Co., Country Boy Brewing and Blue Stallion Brewing Co., along with Louisville-based Bluegrass Brewing Co. and Falls City Beer.

As the expected crowds may number more than the Trustees' Dining Room can accommodate, food trucks from Lexington will motor out to feed hungry tummies.

A garden of a different sort will share the festival spotlight. Promoting the Shaker heritage of land preservation, the Learning Green Garden features local and regional organizations that promote sustainability, including the Nature Conservancy, Kentucky Land Trust, Kentucky Department of Fish and Wildlife, and Kentucky State Nature Preserves Commission.

"One hundred-fifty years ago, the Shakers were practicing sustainability," said Amy Bugg, director of marketing and communications. "We're trying to parlay the lessons they left behind into a legacy for this generation. We want people to actually take away information that they can put to use in their own homes."

With a renewed focus on reducing its carbon footprint, the Village will offer not only trash receptacles for festival refuse but also composting outlets, complete with instructions.

Lend an Ear, Bend an Elbow

Well Crafted: Shaker Village of Pleasant Hill

shakervillageky.org or (800) 734-5611

Aug. 8-9, 2014 – Weekend pass \$80

Aug. 8 – Meadow View Barn Dance – \$30

Aug. 9 – Well Crafted in the Field – VIP

(includes a complimentary toasting glass)

\$60, General Admission \$40, Youth (15 & under) \$20



Among the headline musical performers at Well Crafted will be singer-songwriter musician Dawn Landes (left), who has released five albums, and Ben Nichols (right), front man for the Memphis-based alt-country band Lucero.



All festival proceeds will fund agricultural and environmental student and family education programs at Shaker Village.

"We conceived the festival as a way to reach the younger generation, people who have never visited here and those who haven't been here since they were required to on a middle-school field trip," said Bugg. "The festival will show Shaker Village in a different light. Then folks can come back and tour or hike."

When they return, visitors will find they can approach costumed guides more easily.

"Heretofore, our interpreters sort of stood behind barriers – real or imagined – and guests watched them perform activities," Bugg continued. "We're breaking those down. Now, you're in the garden with the gardener or you're standing at the spinning wheel with the staff member."

Instead of describing a "moment frozen in time," interpreters will tell a more complete story of the property,

relating as-yet-untold stories of those fascinating early residents and of the time after the Shakers left and before restoration and non-profit status.

More guided tours will leave from the Main Village to explore some 40 miles of multi-use trails that crisscross this beautiful, undulating chunk of history.

For a sneak preview of the festival, peruse shakervillageky.org and check out the complete roster of bands and breweries, with links to their websites.

As long as you're there, look into these new offerings: Paddle + Yoga weekends, Happy Hour on the Lawn, Coffee with the Collection and Shaker After Dark, an evening program that explores the human side of the Shaker community, i.e. the inside scoop on scandal, defiance and decadence. ■

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

Upcoming Bardstown Events

Live at the Park Concerts - Hotel California, **June 23**
 Kentucky Railway Museum's Murder Mystery Theatre, **June 28, July 26**
 My Old Kentucky Dinner Train's Murder Mystery, **June 28, July 26**
 Moonlight Big Band Concert, **June 30**
 Stephen Foster Story 4th of July Celebration, **July 4**
 Bourbon City Street Concert, **July 5**
 You're a Good Man, Charlie Brown, **July 10 - August 9** (Thursdays & Saturdays)
 Kentucky Railway Museum's Family Pizza Train, **July 12**
 Kentucky Railway Museum's Train Robbery, **July 12-13**
 Moonlight Madness Sale, Downtown Bardstown, **July 18**
 Annual Sidewalk Sales, Downtown Bardstown, **July 18-20**
 Kentucky Railway Museum's Dining on the Rails, **July 19**
 Bardstown Opry's Girls Night Out, **July 20**
 Live at the Park Concerts-Frankie Ballard & Danielle Bradbery, **July 21**

Go to sampleourspirit.com for a complete listing of events.

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Corporate Donors Pledge \$52 Million to UK Gatton Renovation

FORCHT Bank is one of the latest donors to the University of Kentucky's Gatton College of Business & Economics' \$65 million capital campaign for renovation and expansion of the college building. Forcht's \$1 million donation will fund a new grand staircase and puts Gatton 80 percent of the way toward its goal of fully privately financing the renovation project.

The Kentucky-based bank is among 29 major (\$1 million and more) Gatton College donors and reflects well on the corporate citizenry environment in the commonwealth.

Other donors include: BB&T; Central Bank; John H. Dicken, Jr., Memphis; Carol Martin "Bill" Gatton, Bristol, Tenn., whose philanthropic efforts were featured in the March 2012 edition of *The Lane Report*; Don and Cathy Jacobs, Lexington; Joan Kincaid, Lexington; Howard L. Lewis, Cleveland, Ohio; Roger E. Mick, Brentwood, Tenn.; William E. Seale, Annapolis, Md.; Terry Woodward, Owensboro; PNC Foundation; J.J.B. Hilliard, W.L. Lyons Inc.; Crowe Horwath LLP; Dean Dorton Allen Ford Charitable Foundation Inc.; Mountjoy Chilton Medley LLP; The Valvoline Co.; Ken Towery's Auto Care of Kentucky; KPMG Peat Marwick Foundation; UBS Inc.; PricewaterhouseCoopers LLP; EY Foundation; The Kroger Co.; Procter & Gamble Co.; Georgia Power Co.; Vincent Fister Inc.; Southern Company Services Inc.; AT&T Corp.; and ExxonMobil Foundation.



The expansion and renovation of the Gatton College facility will allow for enrollment growth of more than 40 percent and faculty/staff growth to support the additional students, as well as incorporating state-of-the-art technology throughout the building.

Construction of the facility is underway with completion of the project slated for spring 2016. It is part of UK's \$1 billion campus transformation plan.

The Gatton College project was approved in 2013 with House Bill 7, which also included a new UK Academic Science Building and improvements to

From left, David W. Blackwell, dean of UK's Gatton College of Business & Economics; Debbie Reynolds, president of Forcht Group; Terry Forcht, chairman of Forcht Bank and Forcht Group of Kentucky; Eli Capilouto, president of the University of Kentucky; and Tucker Ballinger, president of Forcht Bank.

Commonwealth Stadium and football training facilities. Those projects, as well as a new student center, the continued capital construction for UK HealthCare, and the complete revitalization of UK's residential communities are self-financed without state tax dollars.

A Wake-Up Call: Kentucky Ranks 48th for Senior Health

SENIORS in Kentucky face more health challenges than seniors in most other states nationwide. Kentucky ranked 48th in the nation for senior health this year, according to the second edition of United Health Foundation's America's Health Rankings Senior Report.

Nationwide, seniors are showing encouraging gains in key health measures and taking steps to improve their own health. But not in Kentucky.

Underscoring the state's troubling ranking, more than 38 percent of older adults in the state are physically inactive – reporting doing no physical activity or exercise (such as running, calisthenics, golf, gardening or walking) other than work in the previous 30 days – making commonwealth seniors the least active in the nation. More than 12 percent of Kentucky seniors are smokers; only Nevada has more older adults who smoke. And the elderly obesity rate is among the highest in the country, with more than 170,000 obese adults age 65 and older.

Still, it's not all bad news for the Bluegrass state. Strengths include a low percentage of low-care nursing home residents, at 7.1 percent (10th nationally); a low prevalence of chronic drinking, 2.1 percent (5th); and a low prevalence of arthritis pain.

More of us are living longer, making it crucial to address these challenges. By 2030 older adults will be about 20 percent of the U.S. population, according to the Centers for Disease Control and Prevention. Nationally, more than 35 percent of seniors have four or more chronic conditions, while more than 25 percent of seniors are obese and 28 percent are physically inactive. Only 60 percent of seniors received a flu vaccine in the past 12 months.

The full report is available online at americashealthrankings.org/senior, along with state-by-state rankings and a full resource library with websites and articles offering information and actions we can take to address a myriad of health problems.

—Dr. Guy Shrake, UnitedHealthcare of Kentucky Medical Director

Mixed Bag in Kentucky's Latest FDIC Stats

A severe winter certainly stymied activity to some degree early this year, when FDIC indicators reflect the Kentucky economy holding steady at best and perhaps taking a slight dip. The FDIC quarterly state profile for Kentucky issued recently has interesting statistics that depict the lingering economic doldrums still holding sway even more than four years after the official end of the Great Recession.

Total assets at Kentucky's 184 FDIC-insured entities increased 1.1 percent to \$55.4 billion in the first quarter of 2014, growing almost \$600 million from the fourth quarter of 2013. However, total banking assets are under their recent peak of \$55.45 billion in 1Q13 and are less also than the \$55.43 billion level of two years ago in 1Q12.

The number of financial institutions is down – a nationwide trend – from 192 in the first quarter of 2012; several mergers and acquisitions and one outright closure trimmed the commonwealth's number of banks to 184.



Kentucky's unemployment rate was 7.8 percent for the first quarter of the year, an improvement from the 8.3 percent rate for all of both 2013 and 2012. Two-thirds of the state's workers are in the Private Service-Producing sector, which grew 0.3 percent over 12 months; 18 percent work for Government, also up 0.3 percent; 12 percent are in Manufacturing, which decreased 0.8 percent; and 5 percent work in the Other (non-manufacturing) Goods Producing segment, down 0.1 percent.

Kentucky's home price index decreased 0.3 percent in Q1, giving back some of its 1.1 percent increase in 2013 and 0.7 percent in 2012. The FDIC shows the number of commonwealth single-family home permits declining 7.5 percent for Q1 2014 from a year earlier, a slowdown in the home construction recovery that has been occurring the past few years: Permits were up 29.5 percent in 2013 after having increased 11.7 percent in 2012.

Multifamily housing starts are up sharply again, however, increasing 123.1 percent in the first quarter after having grown only 1.8 percent in 2013 on the heels of a 38.2 percent increase in multifamily housing permits in 2012.

Kentucky's five main banking deposit markets, with the exception of Lexington, are on its borders and part of multistate metro areas. Northern Kentucky is within the tri-state Cincinnati market where as 2013 ended, 74 institutions reported \$74.5 billion in deposits. That's more than three times the \$22.6 billion in deposits that the Louisville (Kentuckiana) market's 42 institutions reported.

Lexington's 34 institutions reported \$8.6 billion in deposits. The Kentucky-Ohio-West Virginia market that includes Ashland reported \$5.5 billion at 30 institutions. The Evansville, Ind., market that takes in Henderson and Owensboro institutions among its 22 reporting financial entities had \$4.6 billion in deposits.

Nichols Donates \$10M to UofL

LOUISVILLE businessman J.D. Nichols, chairman of real estate development firm NTS Corp., is making a \$10 million gift to the University of Louisville – one of the largest awards the university has ever received.

The gift will be paid over three to five years. The money is undesignated and can be used at the discretion of UofL President James Ramsey to support the highest priorities of the university at that time.

As a result of his gift, The Nucleus (UofL Foundation's new office building) will be named the J.D. Nichols Campus for Innovation and Entrepreneurship. The campus is bound by Floyd, Preston, Market and Jefferson streets on property that once housed The Haymarket, a place where local farmers sold fruit and vegetables. The Nucleus is the first new building constructed as part of a developing complex for entrepreneurs, innovators, accelerators, researchers and corporate office users.

Nichols, a Louisville native, is a 1964 graduate of UofL's Louis D. Brandeis School of Law. He has been a member of the Louisville Regional Airport Authority for more than 20 years. As chairman of the board, he helped to guide the growth of Louisville International Airport. He's also an advocate for education and a former member of UofL's board of trustees.

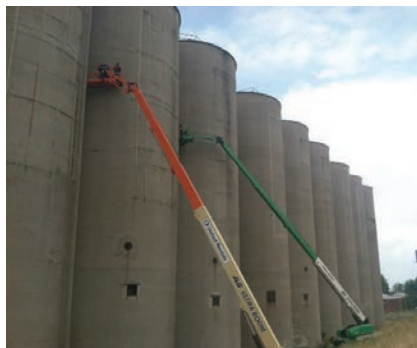
'Iconic Eyesore,' Silos Near UofL Campus to be Demolished

ONE University of Louisville student described the 22 silos that are part of the old Solae property on Floyd Street adjacent to UofL's Belknap campus as "an iconic eyesore." But over the next few months, they will disappear.

The UofL Foundation has hired LVI/NCM to clear the property.

Pre-demolition, which includes salvaging, recycling and selling equipment, parts and materials, will begin immediately, according to Kathleen Smith, chief of staff to UofL President James Ramsey.

"This is a prime piece of real estate, right along Interstate 65, that UofL and the foundation have been interested in buying for some time," Smith said. "This will give the university options to expand while clearing the view for I-65



travelers to see our spectacularly beautiful Belknap campus."

The foundation purchased the land for \$3.3 million in December 2013.

LVI/NCM, which also is known as NorthStar Group Holdings, won the demolition job with a low price of

\$687,800 among eight bidding firms. The foundation and NCM/LVI will split proceeds from the sale of salvage and recyclable materials. Those proceeds could largely offset the foundation's cost of demolition, according to Smith.

General site clearing includes crushing concrete from the silos and plant into gravel that will be spread across the 15-acre site. After work wraps up by Oct. 28, the property is slated for use initially for football game parking.

Solae, a DuPont subsidiary, shuttered its Louisville operation at the end of 2012. It converted soybeans into materials used in paper, adhesives and ink. The property has seen different owners and uses since operations first began there in 1919. The 22 silos are believed to have been built about then.

KENTUCKY PEOPLE

LEXINGTON: ST. JOSEPH RECEIVES KY HOSPITAL ASSOCIATION QUALITY AWARD



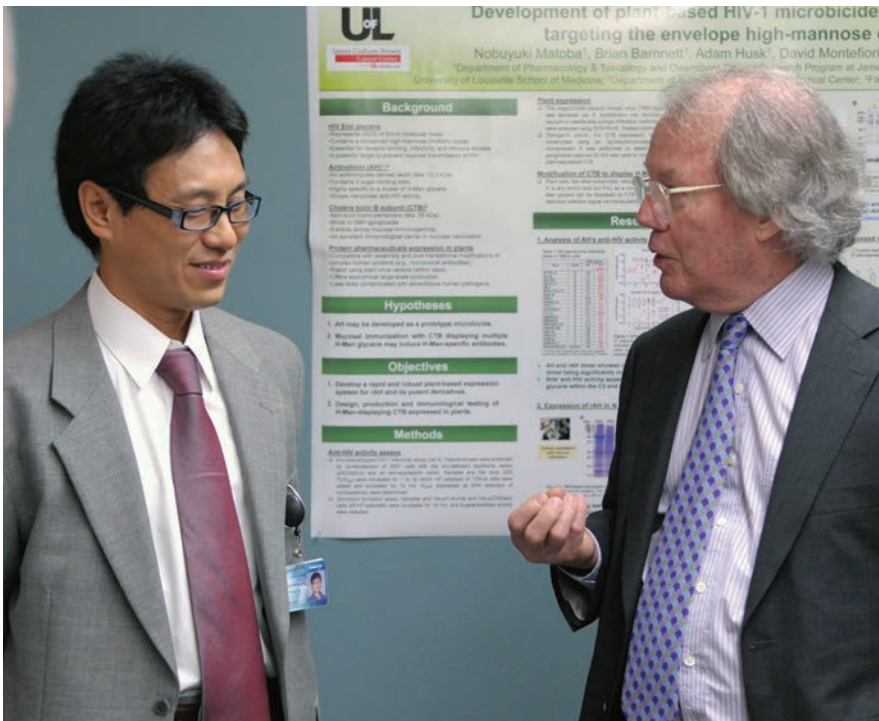
Saint Joseph Hospital has been named a recipient of the 2014 Kentucky Hospital Association Quality Award for its implementation of an initiative to improve metrics related to severe sepsis, a potentially fatal condition caused by severe infection. Charles Lovell Jr. (right), the 2013-2014 KHA board chair and chief executive officer of the Caldwell Medical Center, presented the award to Russ Judd, antimicrobial stewardship program coordinator for St. Joseph.

HAZARD: KY'S INAUGURAL RURAL HEALTH CLINIC SUMMIT DRAWS 100+ ATTENDEES



More than 100 participants attended Kentucky's first Rural Health Clinic Summit at Hazard on May 16, hosted by the Kentucky Office of Rural Health (KORH). Attendees from 28 Kentucky counties, as well as some from Tennessee and North Carolina, traveled to Hazard for a full day of networking and learning at the University of Kentucky Center of Excellence in Rural Health. Members of the KORH team included (from left) Rural Project Managers Ronald Jent, of Hazard; Marcus Pigman, of Hindman; Kayla Combs, of Hazard; and Director Ernie Scott, of Partridge.

LOUISVILLE: UofL RECEIVES \$5.5 MILLION HELMSLEY GRANT TO SUPPORT INNOVATIVE CANCER RESEARCH



The Leona M. and Harry B. Helmsley Charitable Trust has provided a three-year, \$5.5 million grant to the James Graham Brown Cancer Center at the University of Louisville to develop new treatments and vaccines for various forms of cancer. Here, John Codey (right) of the Helmsley Charitable Trust discusses with Dr. Nobuyuki Matoba his work into finding a vaccine to prevent cholera, which in turn would prevent some cases of colon cancer. Matoba's work is one of the projects being supported by a \$5.5 million grant from the Helmsley trust.

ERLANGER: RENEE SHAW RECOGNIZED FOR WORK ON KET PROGRAMMING

Kentucky Dept. for Public Advocacy photo



Public advocate Edward C. Monahan presented KET's Renee Shaw with the 2014 Anthony Lewis Media Award last month at the Kentucky Department of Public Advocacy's Annual Awards Recognition Lunch at The METS Center in Erlanger. Shaw's work on KET's "Prison State: A Kentucky Community Conversation" – which served as a follow-up discussion of issues raised by PBS's Frontline "Prison State" program – was honored for its in-depth analysis of criminal justice policy issues in Kentucky, especially how laws are applied, how the mentally ill are treated and how social service systems operate to assist former inmates' reintroduction to society. Dan Edge, producer of Frontline "Prison State" – which followed the lives of four Louisville residents as they moved in and out of the Kentucky prison system – was also honored as a co-recipient of the Anthony Lewis Media Award.

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