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U.S. FRACKING BOOM HUSHES KENTUCKY OIL AND GAS ACTION

Commonwealth's hydrocarbon resources
aren't commercially viable at current prices
– but markets change

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PERSPECTIVE

POLITICAL COURAGE OFTEN RUNS SHORT

Ky. will win big fiscally if leaders
stand behind smart decisions

BY MARK GREEN

KENTUCKY, like the rest of the nation and the world, is experiencing major change, good and bad. Change is a reliable if not always welcome part of life, so why not lean bravely into the curves rather than let the inevitable forces throw us from the cart?

Our commonwealth is blessed with a central location providing one-day's delivery access to most of the world's greatest economic market and economy. Leaning in, state officials have embraced a logistics sector that is booming and attracting investment by the biggest players in today's world.

Now, though, the state needs to invest in itself. The governor remains committed to taking on tax and pension system reform to put our state's fiscal house in order, specifically mentioning higher revenues. He is to be commended. Stay strong, governor.

I was a newspaper reporter in Florida in 1987 when that no-income-tax state enacted a tax on services to broaden its sales tax base. It was an innovative and reasonable move, expected then, 30 years ago, to increase state revenue by \$1 billion a year and an additional \$2.3 billion in less than a decade.

Florida had a reputation for progressive, smart governance then after the administrations of Reubin Askew and Bob Graham, each savvy two-term governors. Tallahassee officials spent time planning expansion of the sales tax base and effected it passive-aggressively by sunseting the exemption on services.

But political leaders there lost their nerve and gave in at the last second, snatching away defeat from the nearly closed jaws of fiscal victory.

There was complaining, of course, the loudest coming from the then-still-significant newspaper and advertising industry. A few national advertisers said they would boycott, but that made no financial sense in the fast-growing, third-largest market in the nation. Anti-tax groups knocked the new Republican governor, Bob Martinez. But it was the newspaper editorial pages that tipped the political scales.

Newspaper companies, then in their pre-Internet heyday, mounted a campaign attacking the services tax and the

governor especially. Papers large and small, from the Panhandle to Key West, published ongoing series of editorials. It began with the sunset in July. The heavy flak had largely died down and acceptance was setting in two months later when the governor flipped and said he wanted to reverse the services tax. Democratic legislative leaders quickly followed suit, foreseeing the prospect of ongoing political clubbing by the governor, backed by renewed editorial page fusillades.

It was costly not just to Florida but to the rest of the laboratories of democracy, as former Supreme Court Justice Louis Brandeis called state governments. Florida instead raised its general sales tax another penny and anti-tax zealots across the nation were emboldened to threaten public officials. Political scientists in other state capitals have been afraid to tax services for the past 30 years lest the experiment blow up in their faces.

Kentucky today faces a very serious need to modernize its tax system to fit today's economic priorities and to generate the revenue required for a competitive education system while also paying down massive unfunded liabilities for public pension systems. Business wants lower income tax rates, which requires expanding sales taxes to a variety of services. Many Kentucky business leaders say they are willing to pay more for better education, the foundation of workforce development, because workforce skill is where we compete with our neighbors and the rest of the world for jobs, income and wealth generation.

Today's business budgets are tight. Abrupt adjustment to a new sales tax on their services will be difficult and nerve-racking for any operation with slim margins. Business owners and managers face either raising prices to cost-conscious customers or lowering bottom lines.

A phase-in over two or more years would soften the blow but be tricky to administer. It is doable, though. The entire job that Gov. Matt Bevin, House Speaker Jeff Hoover, Senate President Robert Stivers and the rest of the General Assembly face is doable – if they have the courage to make decisions for the good of the state and stand by them. ■



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FAST LANE

A compilation of economic news from across Kentucky

LOUISVILLE: FORD'S KENTUCKY TRUCK PLANT GETTING \$900 MILLION INVESTMENT FOR NEW SUV PRODUCTION



Ford's new Expedition model has a towing capability of 9,300 pounds and has a trailer back-up assist feature that makes it easier for drivers of all skill levels to back up a large trailer.

FORD Motor Co. is investing \$900 million plant upgrades at the **Kentucky Truck Plant** to build the all-new **Ford Expedition** and **Lincoln Navigator**, which begin arriving in dealerships this fall. Both full-size SUVs will be exported to more than 55 markets globally, including China. Ford is a top auto exporter in the U.S.

The investment secures 1,000 jobs hourly jobs at the Louisville plant – which currently employs a total of nearly 7,600 full-time hourly workers – and is in addition to a \$1.3 billion investment and 2,000 jobs announced in late 2015 to build the company's popular **Super Duty** trucks.

"Large SUVs are attracting a new generation around the world," said Joe Hinrichs, Ford executive vice president and president, Global Operations, "and we're finding new ways to deliver the capability, versatility and technology that customers around the world really want with our all-new Ford Expedition and Lincoln Navigator."

LOUISVILLE: CHURCHILL EXPANSION BRINGS TWINSPIRES HQ BACK TO KY; ADDS NEW GAMING FACILITY, JOBS

CHURCHILL Downs Inc. has been on a fast track when it comes to making news. In the span of three weeks, the company first announced it would be relocating the headquarter operations of its mobile betting partner, **TwinSpires**, from California to Louisville and then released plans to build a \$60 million gaming facility in Louisville. Both bring the promise of new jobs.

TwinSpires, a wholly owned division of CDI, is the official mobile betting partner of **Churchill Downs Race Track**, the **Kentucky Derby** and **Breeders Cup**, and is a leading platform for wagering on Thoroughbred, harness and quarter-horse races in Kentucky and around the world. In 2016, \$1.1 billion in handle (or 10 percent of total wagering on U.S. races) was wagered through TwinSpires.

CDI has invested \$2.2 million to build out the TwinSpires headquarters at its existing Louisville offices, adding approximately 15,000 s.f. in new office space.

Relocating the TwinSpires headquarter operations will add 70 high-tech jobs – with salaries ranging between \$75,000 and \$110,000 – to the current Kentucky TwinSpires staff, which numbers more than 200.

The new 85,000-s.f. gaming facility will be built at Churchill Downs' former **Trackside** site (also known as **Sports Spectrum**) and will house two quick-service, walk-up food venues, as well as a bar with seating for 50 and large-format televisions for guests to take in sporting action year-round. The gaming area will open with 600 historical racing machines and a player's club reward center offering special perks and benefits, including an exclusive parking area for loyal guests.

The company says the facility will create 450 new jobs, including 250 construction jobs. An estimated 200 new full- and part-time jobs will be created to operate and manage the facility.



Churchill Downs' newest facility will be built on the site that previously housed Churchill Downs' former Trackside (also known as the former Sports Spectrum).



BOWLING GREEN: UK HOLDS GROUNDBREAKING FOR NEW MEDICAL COLLEGE CAMPUS

A groundbreaking ceremony was held on June 6 at **The Medical Center** at Bowling Green for the new **University of Kentucky College of Medicine-Bowling Green** campus. The four-year, regional campus medical school is the first of its kind in Kentucky and is a partnership between The Medical Center, the University of Kentucky and **Western Kentucky University**.

The UK College of Medicine-Bowling Green Campus will be a fully functioning campus, utilizing the exact same curriculum and assessments as UK's Lexington campus. On-site faculty will have UK College of Medicine appointments and teach



Construction on UK's new College of Medicine facility in Bowling Green is expected to be complete by summer 2018.

in small groups and provide simulation/standardized patient experiences with lectures delivered on-site from Lexington utilizing educational technology. Clinical experiences will also occur at The Medical Center at Bowling Green and surrounding community practices.

Basic science and early didactic training will be taught in conjunction with faculty at WKU through both onsite classes and distance education methods in accordance with UK College of Medicine curricular protocols.

"This partnership helps ensure our state will remain competitive as the landscape of healthcare changes," said Dr. Robert DiPaola, dean of the UK College of Medicine. "It also signals a new beginning in the efforts to train more physicians in Kentucky, for Kentucky, and especially a new beginning for our future students as they embark on this journey and career in medicine."

Longtime UK faculty member and administrator Dr. Todd Cheever will serve as the first associate dean for the Bowling Green campus. Dr. Don Brown, a vascular surgeon and Bowling Green physician, who also serves as director of medical education at The Medical Center, has been named assistant dean.

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BUSINESS BRIEFS

ANNVILLE

■ **Phillips Diversified Manufacturing** has created a new apprenticeship program to help cultivate more skilled labor in Eastern Kentucky. Founded in the 1993, Phillips is a contract manufacturer for printed circuit board assembly, appliance control panels, metal fabrication and electromechanical and electronic assemblies. The company employs more than 220 people in Clay, Jackson and Laurel counties.

BOWLING GREEN

■ The **Jewish Hospital Trager Transplant Center**, part of **KentuckyOne Health**, has opened a new outreach clinic in Bowling Green to help patients in need of transplant evaluations. The new location will offer evaluations for kidney, liver and pancreas transplantations, and hepatobiliary and pancreatic surgeries. The main location of the Jewish Hospital Trager Transplant Center is located in Louisville on the **Jewish Hospital Medical Campus**.

CAMPBELLSVILLE

■ **Campbellsville University** has announced plans to offer a Ph.D. program in management beginning this fall, the first Ph.D. program the school has offered. Students will be able to select specializations within the program that include leadership/management, human resource management and cyber technology management.



COX'S CREEK

■ **Four Roses Distillery** held a grand opening on June 27 for its newly renovated 60,000-s.f. bottling facility in Cox's Creek. The new facility, part of the company's ongoing \$54 million expansion project, houses two bottling lines, bottling support areas and office space.

DANVILLE

■ The **U.S. Department of Commerce's** Economic Development Administration is awarding a \$980,000 grant to the city of Danville to make water infrastructure improvements needed to support local businesses. According to grantee estimates, the investment will create 127 new jobs, retain 188 jobs, and attract over

\$30 million in private investment. The Danville water infrastructure improvements will serve the Corporate Drive Industrial area and industries located in the vicinity of Kentucky Highway 34, improving reliability of water supply and increasing pressure to support business growth and expansion.

FORT CAMPBELL

■ The **Kentucky Energy and Environment Cabinet** has completed a five-megawatt solar array project at **Fort Campbell**, making it the largest non-utility solar array in the state. The project has enough to power the equivalent of 463 homes and provide more than 10 percent of Fort Campbell's power requirements in the form of renewable energy. The solar project covers approximately 20 acres and is located on an abandoned landfill on Fort Campbell, allowing the Army to apply lessons learned to other large-scale, landfill-based solar projects that could benefit sites in Kentucky as well as nationwide.

FORT KNOX

■ **Sullivan University Fort Knox** is now offering a Ph.D. in management that will begin this fall. The online program will offer concentrations in conflict management, human resources, information technology and strategic management.

FORT MITCHELL

■ The **Christ Hospital Health Network**, headquartered in Cincinnati, has received approval for its certificate of need (CON) application to move forward with construction of an ambulatory surgery center on the site of the former **Drawbridge Inn** in Fort Mitchell. The project will include a free-standing emergency department, outpatient surgical services and a diagnostic center. The ambulatory surgery center will anchor the **Fort Mitchell Gateway Project**, a mixed-use project developed by Northern Kentucky-based **Brandicorp** that will include a hotel, restaurants, retail businesses and multi-family units. Edgewood-based **St. Elizabeth Healthcare**, one of the largest medical providers in the Northern Kentucky region, has opposed the CON and has indicated it plans to appeal the decision.

STATE: KY EARNS GOLD SHOVEL AWARD FOR ECONOMIC DEVELOPMENT IN 2016

KENTUCKY has been awarded the Gold Shovel award from **Area Development** magazine, an award that recognizes the commonwealth's success in 2016 in attracting corporate investments that create jobs and grow the economy.

The honor, a first for Kentucky, follows the recent announcement that in only five months of 2017, the state shattered its all-time, full-year record for corporate investment. This year's corporate investments in Kentucky – at nearly \$5.8 billion – have already topped the 2015 record of \$5.1 billion. Those investments also put Kentucky on pace this year to create the most new jobs in a decade. To date in 2017, more than 9,500 new jobs have been announced.

2016 Gold Shovel Projects

COMPANY (COUNTY)	NEW/EXPANDING	JOBS	INVESTMENT (MILLIONS)	INDUSTRY
General Motors (Warren)	E	620	\$290	Automotive
FedEx Ground Package Systems (Boone)	E	62	\$199.30	Distribution & Logistics
Safran Landing Systems (Boone)	E	84	\$150.30	Aerospace
Thai Summit Kentucky Corp. (Nelson)	N	216	\$110.10	Automotive
Computershare Inc. (Jefferson)	E	850	\$19.90	Financial Services
Alorica Inc. (Davies)	N	830	\$6.40	Financial Services
Clinical Trial Services Inc. (Kenton)	N	500	\$36.40	Biotech
More Than a Bakery (Woodford)	N	310	\$57.10	Food & Beverage
Toyotetsu America Inc. (Pulaski)	E	100	\$63	Automotive
Lakeshore Learning Materials (Woodford)	N	262	\$47.40	Distribution & Logistics

"This Gold Shovel award brings additional national attention to the fact Kentucky is a serious economic development contender, both in our recent achievements and for what we have in the pipeline," Gov. Matt Bevin said. "We're making changes to improve Kentucky's business climate by cutting red tape, revolutionizing our workforce development and building our reputation internationally as a top choice for engineering and manufacturing projects, tech investment and service-related businesses. We're honored to receive this award and are moving forward with focus and urgency to bring investment and new jobs to communities across Kentucky."

Area Development, a leading trade publication, invited each of the 50 states to submit information about its top-10 job creation and investment projects initiated in 2016. Based on the number of high-value-added jobs per capita, amount of investment, number of new facilities and industry diversity of the 10 submitted projects, Kentucky qualified for the Gold Shovel award among states with populations between 3 million and 5 million.



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WHITLEY CITY: MULCH COMPANY TO OPEN WHITLEY CITY MANUFACTURING PLANT



SIMS Bark Co. of Georgia, a provider of mulch, soil and rock products and other landscaping material, has announced plans to locate a new manufacturing operation in Whitley City.

The company is purchasing a 125,000-s.f. industrial building on approximately 65 acres in

Corbin and plans to begin renovating the facility later this year. The project includes the purchase and setup of equipment for materials processing and bagging.

Founded in 1974, the family-owned company currently operates two manufacturing plants in Alabama and one each in Georgia, Mississippi and South Carolina. The company processes raw materials, such as bark from sawmills, for use in mulch and soil and produces more than 150,000 bags of product daily.

The company's products are distributed throughout the Southeast to customers that include **Walmart**, **Lowe's**, **The Home Depot** and **Ace Hardware**.

The Kentucky operation will create 21 new jobs.

LOUISVILLE: NORTON PLAN \$38M CANCER CENTER FOR NE JEFFERSON COUNTY

NORTON Healthcare is investing \$38 million to build a new comprehensive cancer center in north-eastern Jefferson County.

The **Norton Cancer Institute – Brownsboro** will be a freestanding, three-story structure located across from **Norton Brownsboro Hospital**.

The new facility will join other treatment locations, including Norton Cancer Institute on Broadway, which offers radiation therapy and multidisciplinary clinics; a radiation center on the **Norton Healthcare St. Matthews** campus; nine oncology practices throughout Louisville, Southern Indiana, Shelbyville and Shepherdsville; and numerous other services in Louisville and Southern Indiana. The new facility will bring all the oncology subspecialties and services covered by the institute together for the first time in one location and will also house Norton Cancer Institute's newest Prompt Care Clinic, which provides urgent care for oncology patients to help them avoid emergency department visits outside of regular office hours or between regularly scheduled cancer care appointments.

The 48,591-s.f. building is being designed by **TEG Architects** and is slated to be complete by October 2018.



The new Norton Cancer Institute – Brownsboro will bring all of Norton's oncology subspecialties and services under one roof for the first time.

BUSINESS BRIEFS



Southwest photo

HEBRON

■ **Southwest Airlines** officially launched its new service out of the **Cincinnati/Northern Kentucky International Airport** (CVG) on June 4. The carrier is offering five daily nonstop flights between

CVG and Chicago's **Midway Airport** and three between CVG and **Baltimore/Washington International Airport**.

■ **Allegiant** has announced plans to begin flying a new route between the **Cincinnati/Northern Kentucky International Airport** (CVG) and Providence, R.I., beginning Nov. 17 with twice-weekly service. **United Airlines** has also added a new daily nonstop route between CVG and San Francisco. United has been one of the fastest growing carriers at CVG over the last two years, growing their capacity by more than 35 percent.

HIGHLAND HEIGHTS

■ **Northern Kentucky University** has launched an online graduate certificate program in Total Worker Health to help human resource professionals and those in management improve the overall health and well being of their employees. As a Total Worker Health affiliate of the **National Institute for Occupational Safety and Health**, NKU's Total Worker Health certificate emphasizes applying scientific findings to workplace settings to improve employee and organizational health. The online program includes six courses offered consecutively year-round and can be completed in one year.

JEFFERSONTOWN

■ Medical equipment manufacturer **Isopure Corp.** is relocating its operations from Simpsonville to a larger facility in Jefferson-town's Bluegrass Commerce Park to accommodate the company's growth. Isopure, which designs, assembles and markets water-purification and concentrate mixing devices needed for kidney dialysis, has purchased a 66,800-s.f. building that previously housed **Kenmark Optical Inc.** Kenmark relocated its operations earlier this year to another building in Bluegrass Commerce Park. Company officials said being closer to **UPS' Worldport** hub in Louisville would help reduce both transportation costs and time. Isopure currently has 38 employees, and expects that number to grow.



■ **3rd Turn Brewery** has tripled its presence in Jeffersontown with the acquisition of two buildings in the Gaslight Square District. The company is still in the process of developing plans for the two properties, which previously housed the **Michael Thomas Dance Center** and the **Louisville Coffee Co.** 3rd Turn is currently finishing its second operation, a brewery, tap room and four-acre farm that is set to open soon in Oldham County.

LEXINGTON

■ The **University of Kentucky** has opened a **Sports Medicine Research Institute**, launched in part by a \$4.2 million grant from the **U.S. Department of Defense** to study performance optimization and injury reduction for the tactical athletes of the U.S. Military. The 10,000-s.f. facility is outfitted with sophisticated biomechanical, physiological, musculoskeletal, and neurocognitive equipment, including a "concussion room" and a biomechanics laboratory with technology like that used for video game development. Equipment shaped like a horse can simulate movement for jockeys and other equestrians. The lab will study important contributors to strength, endurance, operational performance and injury risk for both civilian and military athletes.

■ The **University of Kentucky** board of trustees has approved a potentially transformative town-gown real estate deal with **Core Spaces**, a Chicago-based real estate company, that will preserve a key entryway into the city and campus while also leading to a major downtown retail development. The development could potentially create hundreds of construction jobs and economic development in the heart of the city, moves that would significantly advance efforts by UK and Lexington in their joint efforts to build a long-term plan to create and promote more commercial development along corridors near the UK campus.

BUSINESS BRIEFS

LEXINGTON

■ The **Kentucky Horse Park Commission** and the **United States Equestrian Federation Inc.** have signed a 40-year ground lease on three acres of land, with an option to extend the lease for an additional 40 years at the conclusion of the initial term. The organization plans to build a 35,000-s.f. building on the property. The Kentucky Horse Park is home to more than 30 national, regional and state equine organizations, most of which fall under the jurisdiction of US Equestrian.

LOUISVILLE

■ **Falls City Brewing Co.**'s plans for a new brewery have shifted to a new location after a deal to acquire ownership of a building in Louisville's Portland neighborhood did not pan out. The company is now working on building a new brewery facility in the NuLu neighborhood that will include a taproom, outdoor beer garden, banquet hall/event space as well as space for production and a canning line. The new facility is expected to be operational by late fall.



■ The **University of Louisville** has launched an official crowdfunding platform that gives the community an opportunity to support university projects that are meaningful to them. Examples of projects that were featured in May include causes such as holistic autism treatment, Parkinson's disease and service learning trips. Donations go directly to the project chosen and are tax deductible to the extent permitted by law.

■ Faculty members at the **University of Louisville School of Medicine** have begun developing a national training program to instruct educators at universities across the United States in teaching interprofessional palliative care to those who care for cancer patients. Funded by a \$1.4 million award over five years from the **National Cancer Institute**, the UofL training curriculum will build on a successful interprofessional program in education for palliative care in cancer that has been in place at UofL since 2010.



■ Citing a resurgence in the auto industry, **Forbes** magazine has named Louisville the No. 1 city in the U.S. where manufacturing is thriving. Since 2011, **manufacturing employment** in the Louisville-area has grown 30.2 percent, bringing the employment total to 83,300 jobs, representing 12.41 percent of jobs in

the local economy. Louisville's diverse manufacturing economy includes such major manufacturers as **Ford**, **GE Appliances**, **Clariant Corp.**, **Faurecia** and **Raytheon**. Louisville also is home to **FirstBuild**, an innovative makerspace dedicated to designing, engineering, building and selling the next generation of home appliances.

■ Two Louisville design firms – **Mindsalt** and **Jet A Studio** – have merged to create a new company, **Relay Design Co.** specializes in “creating, brands, digital interactions and physical spaces that shape how people experience companies.” The firm's Louisville-based clients include **21c Museum Hotels**, **Humana** and **Waterfront Botanical Gardens**. The agency also retains clients in Nashville, Cincinnati, Dayton and Maryland. Relay plans to expand both its local and regional client base in the coming year.

■ **Louisville Forward**, the city's economic development organization, and **Greater Louisville Inc.** (GLI), the city's chamber of commerce, have been jointly recognized as Top U.S. Economic Development Groups for 2016 by **Site Selection** magazine. The recognition is based on total projects, total investment associated with those projects and total jobs associated with those projects, with those same three numbers calculated per capita for the metro area. Working together in 2016 with partners in two states and 15 counties, the two groups have helped the Greater Louisville region welcome 70 projects, representing nearly \$1.4 billion in investment and more than 8,500 jobs.

ASHLAND: KY POWER GRANTS HELP FUND EASTERN KY ECONOMIC DEVELOPMENT



Kentucky Power's Brad Hall, left, and Jacob Colley, right, present \$50,000 to John Tackett with the Eastern Kentucky Advanced Manufacturing Institute. Tackett will be an instructor at the education center that will retrain out-of-work coal miners.

TWELVE Eastern Kentucky projects have been selected to share \$400,700 in economic development grants from Ashland-based **Kentucky Power** as part of the Kentucky Power Economic Development Growth Grants (K-PEGG) and the Kentucky Power Economic Advancement Program (KEAP).

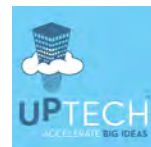
The K-PEGG is funded through the Kentucky Economic Development Surcharge approved by the Kentucky Public Service Commission in 2015. For every 15 cents collected monthly from customers, company stockholders match the customer contributions dollar for dollar to generate more than \$600,000 annually for investment at the local and regional levels. The program is available in all 20 counties served by Kentucky Power.

The KEAP program, created in 2014, will provide \$1 million in economic development assistance to customers over five years. KEAP is specific to Boyd, Carter, Elliott, Lawrence, Johnson, Martin and Morgan counties and must be used for programs and projects such as job retention; expansion surveys; wage and benefit surveys; and retaining and attracting new industries.

Among the projects receiving funding are an effort to help companies in the region develop the quality control certification needed to become a military/government contractor; an education center to retrain out-of-work coal miners for advanced manufacturing jobs; development of a helicopter painting facility at the Big Sandy Regional Airport; and equipment for a fiber-optics training program.

COVINGTON: UPTECH RANKED AMONG NATION'S TOP ACCELERATOR PROGRAMS

UPTECH, an accelerator for data-driven startup companies, has been named one of the top accelerators in the country by the Seed Accelerator Ranking Project (SARP), a joint effort by the **Massachusetts Institute of Technology** and **Rice University**.



Now in its fifth year, SARP ranks every accelerator in the country based on valuation, qualified exits, qualified fundraising, survival, and founder satisfaction. The rankings are meant to provide guidance for entrepreneurs who are considering going through an accelerator, and who are wondering how they differ on performance across various categories.

UpTech is an intense, six-month accelerator program that works to create investor-ready startups by providing founders with startup education, one-on-one weekly advising, free co-working space, dedicated legal and accounting counsel, and early investor feedback through our investor relationships. Participants also have access to staff resources for aid in graphic design, an entrepreneur speaker series with more than 30 speakers, access to more than 200 mentors, a university student intern grant, and gigabit internet.

UpTech is in the process of putting together its sixth cohort, which will consist of 10 companies that will receive up to \$50,000 each.



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BUSINESS BRIEFS

LOUISVILLE

■ **Payment Alliance International**, a Louisville-based company that is the nation's largest privately-held provider of ATMs, has moved its headquarter operations into a new 30,000-s.f. building located in the Old Henry Crossings Business Park. PAI centers in three other states have already relocated to expanded facilities earlier this year to accommodate the company's growth.

MOREHEAD

■ The **National Science Foundation's** Robert Noyce Teacher Scholarship program has awarded **Morehead State University** a \$1.2 million grant, which will provide 34 scholarships of up to \$10,000 for up to two years for junior and senior MSU Teach students. As a condition of the acceptance of the scholarship, MSU Noyce Scholars agree to serve as a STEM teacher in a high-need local educational agency for two years. MSU will collaborate with Carter, Fleming, and Rowan County School Districts in Kentucky and **New World High School** in the Bronx, N.Y.

MUNFORDVILLE

■ Munfordville has been designated as Kentucky's 17th **Trail Town**. The Kentucky Trail Town program is a tourism-based development program that provides a plan for communities to capitalize on outdoor recreation and adventure tourism. Activities in the Munfordville area include the Green River, **Big Buffalo Crossing Canoe & Kayak**, camping and hiking at **Green River Park & Arboretum**, the **Mammoth Cave Loop** of the Trans-America Cycling Route and several other locally designated cycling routes.

OWENSBORO

■ **Brescia University** has received a \$1 million gift to establish the **Charles Albert Reid School of Business**. The gift is from the family of the late Charles Albert Reid, founder of **Independence Bank** and a graduate of Brescia. Ground will be broken on the project in early 2018.



PAINTSVILLE

■ **American Metal Works** has teamed with **Big Sandy Community and Technical College** to create a new CNC (computer numerical control) programming apprenticeship program in Paintsville. The program will enable apprentices to begin a four-year CMC program at American Metal Works that involves 2,000 on-the-job training hours and 144 classroom hours per year. American Metal Works was started in 2016 by James Glass and Dennis Rohrer and is a small business manufacturer of parts for the aerospace, automotive, biomedical, defense and manufacturing industries.

SOMERSET

■ The **Business & Community Training Center**, in partnership with **ExecuTrain of Kentucky**, has been conducting a new series of professional, soft-skills training courses at **The Center for Rural Development** in Somerset in response to employers who say they are constantly looking for job applicants who can communicate clearly, take initiative, problem-solve and get along with coworkers. The courses, which wrap up later this month, include Business Etiquette, Better Business Writing, Excellence in Supervision, Customer Service, Effective Communication Skills, Time Management, and Conflict Management, among others.



WINCHESTER

■ **Clark Regional Medical Center** has partnered with **Wound Care Advantage** to open a new outpatient wound care and hyperbaric center. During hyperbaric therapy, patients are given 100 percent oxygen in a pressurized environment. The combination of pressure and oxygen increases oxygen in the bloodstream, which in turn speeds up the healing process. The new facility will have four rooms to treat patients with chronic wounds associated with diabetes, venous insufficiency, osteomyelitis, immobility and delayed effects from radiation, and two hyperbaric chambers.

STATE: NEW TASK FORCE CHARGED WITH HELPING DISABLED FIND EMPLOYMENT

GOV. Matt Bevin has formed a 23-member task force charged with addressing barriers to employment among people with disabilities, foster children and individuals with substance abuse or criminal records.

The task force will bring together every department of state government that is involved in workforce development with members of the private sector.

"There is dignity that comes from work, and there is a sense of satisfaction and respect – for oneself and for others – that comes from being an engaged part of the community," said Bevin. "And there's nothing more integral than the dignity associated with being part of the fabric of that community through work."

Deputy Assistant Secretary Jennifer Sheehy of the **U.S. Department of Labor** Office of Disability Employment Policy commended Kentucky, which is the first state in the nation to initiate such a task force. "We realize that the real change and the real work does not happen at the federal level," said Sheehy. "We need to look at what federal policies do work, but also what is happening in states that works – and then support that."

Current statistics show Kentucky's labor participation at 54.7 percent, well below the national average of 62.9 percent. In addition, 15.7 percent of the commonwealth's population is classified as "disabled," compared to only 10.4 percent nationally.

The Kentucky Work Matters Task Force will work closely with the U.S. Department of Labor Office of Disability Employment Policy and their State Exchange on Employment & Disability. SEED is a collaborative effort with state intermediary organizations to help state leaders effectively address policy barriers that may hinder the employment of people with disabilities.

A complete listing of the members assigned to serve on the task force is listed on page 17.



MARTIN COUNTY: AVIATION COMPANY WILL OPEN NEW MAINTENANCE OPERATION

THOROUGHbred Aviation Maintenance Inc. has announced plans to open a 15-employee operation at **Big Sandy Regional Airport** in Martin County that will service its current clients and help attract new business to Eastern Kentucky, southeast Ohio, Virginia and West Virginia.

Thoroughbred, which is headquartered in Georgetown, provides aircraft maintenance, avionics, painting and structural repair, along with overhauling and refurbishment. The company has purchased a hangar in Martin County to house the new operation.

Thoroughbred was founded in 1988 as **Thoroughbred Helicopters** and in 2005 was sold to the **RJ Corman Railroad Group**, which renamed it **RJ Corman Aircraft Maintenance**. Last year, the company was bought by Todd Case and Joe Otte, who reinstated the Thoroughbred name. In addition to its Georgetown headquarters, the company has locations in Danville, Somerset and Richmond. Clients include private and corporate general-aviation fixed wing and helicopter customers, primarily in Kentucky, Tennessee and Ohio. Thoroughbred also maintains contracts with flight schools, federal government agencies and law enforcement departments in Kentucky, Ohio, Tennessee, Indiana, Arkansas and Illinois.

LEXINGTON: BIOTECH COMPANY EXPANDS TO FIGHT MOSQUITO-BORNE DISEASES



The Asian tiger mosquito is known to carry infectious diseases like the Zika virus.

MOSQUITOMATE INC., a Lexington biotech company, is expanding its operations to meet demands of mosquito-borne disease and pest control in the United States.

The company, a spinout of the **University of Kentucky**, is expanding its facilities to produce sterile male mosquitoes that will serve as a nontoxic, non-GMO

pesticide. Unlike female mosquitoes, male mosquitoes do not bite. Since female mosquitoes tend to be monogamous, once a sterile male mates with a female, her eggs will not hatch, eliminating the next generation of mosquitoes. At capacity, the new facility will be able to produce in excess of 50 million eggs per week and three million sterile males per week. Poised for **Environmental Protection Agency** approval, the company will be able to sell the sterile male mosquitoes to combat pest control issues.

The new 6,000-s.f. mosquito production facility will be the first of its kind to produce and distribute non-GMO ZAP male mosquitoes as a biopesticide against the Asian tiger mosquito, an invasive mosquito commonly known to carry infectious diseases like Zika virus, dengue, chikungunya and pet animal heartworm. The facility will serve as a model for future facilities throughout the country and internationally.

The company is creating 12 new jobs in addition to the 10 existing positions at its research and development facility.

BUSINESS BRIEFS

WOODFORD COUNTY

■ A study conducted by the **University of Kentucky** found that agriculture is responsible for one of three jobs and \$565 million in annual revenue. The study looked at not only production agriculture, but also businesses that produce agricultural inputs, wholesale and retail businesses, and service-based businesses such as veterinary, finance, recreation and transportation. The study also examined stud fees for the Thoroughbred industry in Woodford County, home to 11 of the top 20 Thoroughbreds covering mares in the country. The sales tax imposed on those services gets turned around into breeders' incentive funds.

STATE

■ The latest State of Small Business and Entrepreneurship report from the **Kentucky Small Business Development Center** reveals that small businesses make up 99.3 percent of Kentucky employers and account for 45 percent of the private-sector workforce. According to the report, small-business owners and entrepreneurs ranked access to capital as the major concern for startups and expansion in 2016.

■ Kentucky is one of 17 states in which **AT&T** plans to offer its Fixed Wireless Internet for rural and underserved areas. The Fixed Wireless Internet delivers a home internet connection with download speeds of at least 10Mbps and comes from a wireless tower to a fixed antenna on customers' homes or businesses, offering a cost-effective way to deliver high-speed internet to customers in rural areas.

■ **Hopebridge**, an Indiana company that provides personalized therapies for children with autism and other communication and sensory challenges, is expanding into Kentucky with offices opening this summer in Louisville, Bowling Green and Lexington. The company plans to ultimately employ more than 160 full- and part-time employees in Kentucky.



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INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

BUSINESS BRIEFS

OHIO

■ **Worthington Industries**, a Columbus, Ohio-based diversified metals manufacturing company, has acquired **Amtrol** for approximately \$283 million. The purchase of Amtrol, a leading manufacturer of pressure cylinders and water system tanks, strengthens Worthington's industrial gas and consumer products businesses and complements its refrigerant cylinder manufacturing capabilities. The acquisition also adds water and well tank product lines to Worthington's wholesale and retail consumer products portfolio.



■ **Anthem Blue Cross and Blue Shield** is withdrawing from the individual health care marketplace offerings in Ohio and will offer only one off-exchange medical plan in the state. In a statement announcing the withdrawal, Anthem said, "The Ohio Individual market remains volatile and the lack of certainty of funding for cost-sharing reduction subsidies, the restoration of taxes on fully insured coverage and an increasing lack of overall predictability simply does not provide a sustainable path forward to provide affordable plan choices for consumers." The decision does not affect plans that are grandfathered, employer-based plans or **Medicare Advantage** plans.

■ **UnitedHealth Group** plans to add 700 customer service positions in Dublin, Ohio, to support care providers and individuals nationwide who are enrolled in the company's health care plans. UnitedHealth currently has more than 3,500 employees in Ohio, including 1,500 who are with Optum, the company's health services business.

OHIO/TENNESSEE

■ Citing a change in its snack sales and distribution model, **Kellogg Co.** is closing its Cincinnati and Memphis distribution centers in late July. The closings will result in the permanent layoff of 248 employees in Cincinnati and 172 employees in Memphis.



TENNESSEE

■ **IKEA**, a Swedish home furnishings retailer, has announced plans to open a 341,000-s.f. store on 34 acres in Antioch, Tenn., approximately 13 miles southeast of downtown Nashville. The store will be the company's second in Tennessee – the Memphis location opened in December 2016 – and is expected to open by mid-2020,

creating more than 500 construction jobs and approximately 250 IKEA staff positions.

■ **PathGroup**, one of the nation's largest private providers of pathology and clinical lab services, is investing \$18 million to expand its operations in Nashville. The expansion will include adding more than 200 jobs.

■ China-based automotive parts manufacturer **Minth Group Ltd.** is investing more than \$13 million over the next five years to establish a manufacturing facility in Lewisburg, Tenn., that will create 200 new jobs. Minth is a leading designer and manufacturer of structural body, trim and decorative parts for the auto industry. The Lewisburg facility will have full manufacturing capabilities and will also act as a distribution warehouse for parts manufactured at Minth facilities abroad.



■ **HomeServe USA**, a company that provides home repair plans, is constructing a new \$5.5 million, 46,000-s.f. facility in Chattanooga to house its customer service operations in the area. The expansion will create nearly 200 new jobs over the next five years. HomeServe has operated in Chattanooga since 2010 and currently employs a staff of 320.

INDIANA: NEW UPS PROCESSING HUB TO DELIVER 575 NEW JOBS NEAR INDY

UPS plans to open a new \$260 million package processing facility on a 91-acre site in Plainfield, Ind., west of Indianapolis.

Together with improvements to existing buildings, UPS expects to add more than 575 full-time equivalent positions over the next five years. UPS currently employs more than 9,500 people across Indiana.

A portion of the 893,000-s.f. hub will open this fall for trailer processing with a delivery operation to dispatch UPS trucks in time for the busy holiday season.

The Plainfield facility build-out will be completed in late 2019. Company officials say advanced package scanning and sortation equipment will allow flexibility to make changes as volume is routed through complex systems of conveyors and belts in the building or directed in transit to other area facilities.

UPS is also evaluating infrastructure availability for alternative fuels at the new building. Indiana was one of the first Midwest locations when UPS expanded natural gas for its tractor-trailer fueling in 2013. Since then, the company already has surpassed its then-stated sustainability goal for the UPS alternative fuel and advanced technology fleet to travel 1 billion miles by the end of this year.



UPS' new Plainfield, Ind., package-processing facility is expected to be completed in late 2019.

TENNESSEE: DISTILLERS GUILD UNVEILS 30-STOP TENNESSEE WHISKEY TRAIL



THE Tennessee Distillers Guild has created a distillery tour across the state to showcase the art of distilling and the history and culture of whiskey making.

The **Tennessee**

Whiskey Trail consists of 30 distilleries ranging from boutique-sized distilleries to large internationally recognized operations that span the state. Along the trail, visitors can get a taste of the history and tradition of Tennessee whiskey.

"The Tennessee Whiskey Trail is a joint effort by all of our guild members to feature Tennessee whiskey and moonshine, as well as the craftsmen and women that make them," said Kris Tatum, president of the Tennessee Distillers Guild. "On the trail, visitors can learn about the art of distilling and about the history and the culture of whiskey-making that is legendary in our state."

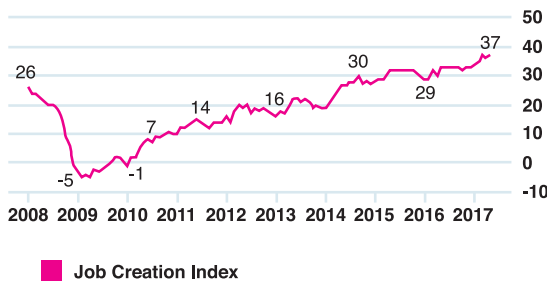
Neighboring state Kentucky launched the **Kentucky Bourbon Trail** in 1999 and has seen bourbon-related tourism explode in the years since. The Kentucky Bourbon Trail has become internationally known and hosted more than 1 million visits in 2016. The attraction has grown 300 percent in the last 10 years and spawned the **Kentucky Bourbon Trail Craft Tour** in 2012, which features the state's thriving micro distilleries.

Similar to Kentucky's set-up, the Tennessee Whiskey Trail will feature free passport booklets that encourage visitors to collect stamps at each of distillery on the trail. Those who collect all of the stamps will receive a commemorative gift to mark their achievement.

U.S. JOB CREATION INCREASING

Gallup's Job Creation Index was +37 in May, tied with the record high found in March and marking 15 straight months of the index reaching +30 or higher. Gallup's Job Creation Index is based on employed U.S. adults' reports of whether their employer is hiring workers and expanding the size of its workforce, or letting people go and reducing the size of its workforce. Gallup computes the index by subtracting the percentage of those who say their employer is cutting jobs from the percentage who say their employer is adding jobs.

PERCENTAGE OF U.S. WORKERS WHO SAY THEIR EMPLOYER IS HIRING NEW WORKERS MINUS THE PERCENTAGE WHO SAY THEIR EMPLOYER IS LETTING WORKERS GO

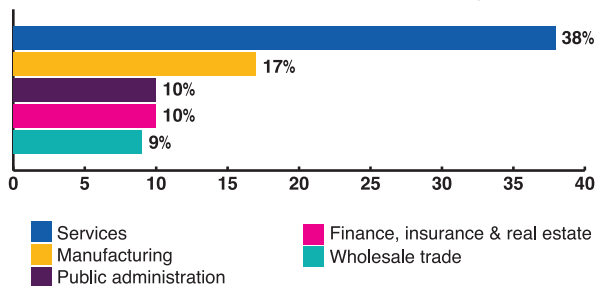


SOURCE: Gallup

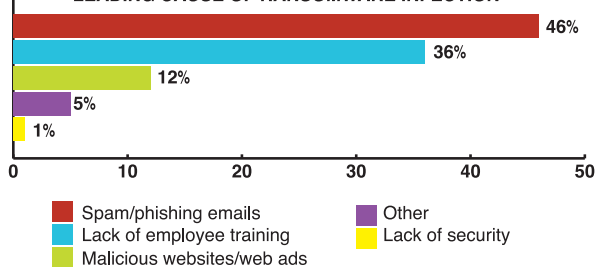
CYBERCRIME ON THE RISE

After a malicious program called "WannaCry" affected some 200,000 people or organizations in 150 countries earlier this year, concerns regarding ransomware have rapidly moved to the forefront. Ransomware is defined as malicious software that blocks access to a computer system until a sum of money is paid. Data by Symantec shows that almost every industrial sector has been affected by ransomware in recent years. The charts below outline the types of companies that are most often targeted by cybercriminals and the methods they use to infect your computer system.

DISTRIBUTION OF GLOBAL RANSOMWARE INFECTIONS, BY INDUSTRY



LEADING CAUSE OF RANSOMWARE INFECTION

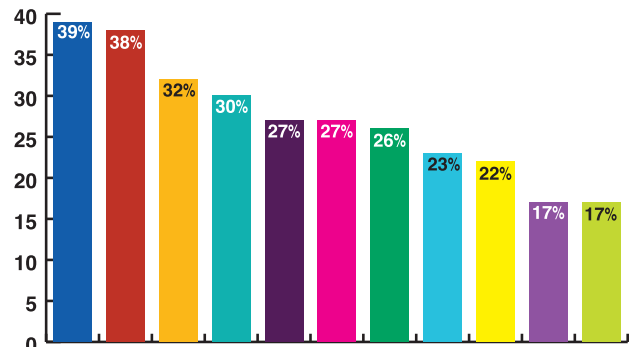


SOURCE: Symantec, Datto/Statista

HOW SOCIAL MEDIA AFFECTS JOB PROSPECTS

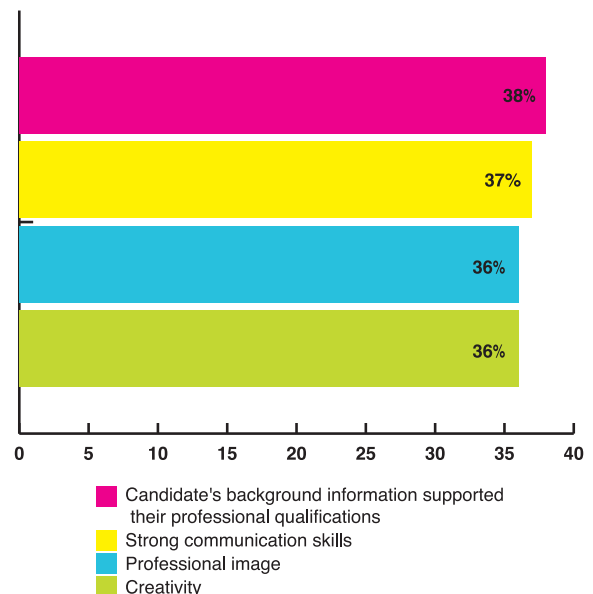
A new survey from CareerBuilder shows that a significant majority of employers – 70 percent – now use social media to screen job candidates before hiring. What's more, three in 10 employers have someone dedicated solely to investigating the online presence of prospective employees. Interestingly, 57 percent of employers say they are less likely to call someone who is completely absent online. So, it's all about striking the right balance.

TOP REASONS EMPLOYERS WERE TURNED OFF BY A CANDIDATE'S ONLINE PRESENCE



- Candidate posted provocative or inappropriate photographs, videos or information
- Candidate posted information about drinking or using drugs
- Candidate had discriminatory comments related to race, gender or religion
- Candidate bad-mouthed their previous company or fellow employees
- Candidate lied about qualifications
- Candidate had poor communication skills
- Candidate was linked to criminal behavior
- Candidate shared confidential information from previous employers
- Candidate's screen name was unprofessional
- Candidate lied about an absence
- Candidate posted too frequently

TOP REASONS EMPLOYERS CHOSE TO HIRE A CANDIDATE BASED ON THEIR SOCIAL NETWORK



SOURCE: CareerBuilder

CORPORATE MOVES

New leadership for Kentucky businesses

ACCOUNTING

■ **David Sorrell** has joined Dean Dorton as an associate director in accounting and financial outsourcing, with an equine accounting focus. Sorrell comes to the position from Three Chimneys Farm, where he served as chief financial officer.



Jessica Harris

ARCHITECTURE

■ **Jessica Harris** has been promoted to director – architecture at TEG Architects in Louisville.

BANKING/FINANCE

■ **Chris Jackson** has joined Citizens Union Bank in Shelbyville as vice president-senior SBA lender.

■ Community Trust Bank has announced the following appointments: **Debbie Baber** – market assistant vice president; **Michele Branham** – assistant vice president; **Delena Clevinger** – assistant vice president; **Will G. Davis** – assistant vice president, relationship officer for retirement/institutional services; **Shirle Hawkins** – commercial loan officer and assistant vice president; **Jessica Kendrick** – market assistant vice president, Danville; **Michael J. Kenney** – vice president; **Tammy Kidd** – vice president; **Ethel Sparks** – market assistant vice president; **Dominique Vandenberg** – market assistant vice president, Richmond;



Michele Branham



Delena Clevinger



Will Davis



Shirle Hawkins



Jessica Kendrick



Michael Kenney



Tammy Kidd



Ethel Sparks



Dominique Vandenberg



Ashley White



Jimmy Workman

■ **Brandon Neal** has joined the Bowling Green office of WealthSouth as vice president, wealth management advisor. **James Fereday** has joined the Lexington office of WealthSouth as senior vice president, chief investment officer. **Clint Long** has joined the Lexington office as vice president, institutional investment consultant.



Brandon Neal



James Fereday



Clint Long

■ **Gail Burke Tway Bride** has joined Hilliard Lyons Trust Co.'s Louisville office as senior vice president and portfolio manager.



Gail Burke Tway Bride

EDUCATION

■ **Laura Damron** has been named director of public affairs at the University of Pikeville.

■ **Mark Arant** has been named provost and vice president for academic affairs at Murray State University.

FOOD/SPIRITS/HOSPITALITY

■ **Mary Gratzer** has been named as the first-ever director of the Kentucky Bourbon Affair.

■ **Brandon Rhoten** has been named global chief marketing officer for Louisville-based Papa John's International.

GOVERNMENT

■ **Daniel S. Dumas** has been appointed to oversee Kentucky's adoption and foster care system.



Daniel Dumas

■ **Ronald "Brian" Wright** has been named commonwealth's attorney for the 29th judicial circuit of Kentucky, representing Adair and Casey counties.

■ **Timothy Ray "Tim" Coleman** has been named circuit judge for the 38th judicial circuit, division 1, representing Butler, Edmonson, Hancock and Ohio counties.

■ **Frederick Smock** has been named by Gov. Matt Bevin as Kentucky's poet laureate for 2017-2018. Smock is a Louisville poet, author and teacher.

■ **Blake Ross Chambers** has been named commonwealth's attorney for the 38th judicial circuit of Kentucky.

HEALTH CARE

■ Kindred Healthcare has named **Brian Holzer** as president of Kindred Innovations, where he will be responsible for furthering the company's portfolio of innovative post-acute care products and services on a national level. Kin-

DEPARTURES

■ **David Reeder** has resigned as president and chief executive officer of Lexington-based Lexmark International.



David Reeder

■ **Trey Grayson** has stepped down as president and CEO of the Northern Kentucky Chamber of Commerce.

dred Executive Vice President and Chief Strategy Officer **William Altman** will take on the additional responsibility of chief of staff to Kindred President and CEO **Benjamin A. Breier**.

■ **Chris Chirumbolo** has been named president and chief executive officer of Carespring, a Northern Kentucky company that specializes in rehabilitation and long-term health care services.

■ Passport Health Plan has promoted **Carl Felix** to the position of vice president and chief operating officer.

LEGAL

■ **Calvin Fulkerson**, **Bill George**, **Amber Knouff**, **Kyle Virgin**, **Chad Thompson** and **Kathryn Eckert** have joined the McBrayer, McGinnis, Leslie & Kirkland law firm in Lexington.



Bill George

■ **Nancy A. Spivey** has been named marketing director for DBL Law, a full-service firm with offices in Crestview Hills, Louisville and Cincinnati.

■ **Andrew L. Sparks** has joined Dickinson Wright's Lexington office.

NONPROFIT

■ **Jerquil Campbell** has joined the Boys and Girls Clubs of Kentuckiana as vice president of development and communications.



Jerquil Campbell

REAL ESTATE

■ **James Mueller** has joined Hagan Properties Inc. in Louisville as chief operating officer.

UTILITIES

■ **L. Allyson Honaker** has been named general counsel of the Kentucky Gas Association.



Allyson Honaker

OTHER

■ **Bill Laramée** has been named of counsel for Trek Advancement, a Lexington philanthropy consulting firm specializing in higher education and nonprofit fundraising.

■ **Barney Estes** has been named general manager of Newport on the Levee.

■ **Sarah Pickerel** has been named executive director of the Republican Party of Kentucky.

■ **Jan Craigmiles** has joined Lexington-based Associations International as vice president of people and communications.

ON THE BOARDS

Kentuckians named to organizational leadership roles

AMERICAN IMMIGRATION LAWYERS ASSOCIATION

■ **Matthew P. Gunn** has been elected chapter chair for the Mid-South Chapter of the American Immigration Lawyers Association. Gunn is an attorney with Dinsmore & Shohl.



Matthew Gunn

CENTRAL KENTUCKY RIDING FOR HOPE

■ **Adam Bowden** and **Vicky Myers** have joined the board of directors of Central Kentucky Riding for Hope, an organization that offers a variety of equine-assisted activities and therapies. Bowden is part-owner of Diamond Creek Farms. Myers is chief development officer of UK HealthCare at the University of Kentucky.



Adam Bowden



Vicky Myers

KENTUCKY ADVISORY COUNCIL FOR MEDICAL ASSISTANCE

■ **Sheila Marshall Currans**, **Susan Scott Steward**, Dr. **Ashima Gupta** and Dr. **Steven Compton** have been appointed to the Kentucky Advisory Council for Medical Assistance. Currans, of Cynthiana, is a registered nurse and CEO of Harrison Memorial Hospital. Steward, of Hazard, is system director of home services at Appalachian Regional Healthcare. Gupta, of Louisville, is a physician at Kumar Eye Institute. Compton, of Franklin, is a physician at Compton & Compton Eye Care.

KENTUCKY ASSISTIVE TECHNOLOGY SERVICE (KATS) NETWORK ADVISORY COUNCIL

■ **Tina Gail Jackson**, **Debra Bauder**, **Karen Coulter**, **Tishana Terry-Ann Wokocha**, **Duke Petit** and **David Wayne Dennis** have been appointed to the Kentucky Assistive Technology Service (KATS) Network Advisory Council. Jackson, of Louisa, is a community builder. Bauder, of Louisville, is an associate professor at the University of Louisville. Coulter, of Murray, is an assistant professor at Murray State University. Wokocha, of Paducah, is an occupational therapist. Petit, of Lexington, is a disability accommodations consultant at the University of Kentucky. Dennis, of Lawrenceburg, is an accountant. Bolton, of Bowling Green, is a motivational speaker. Hicks, of Waddy, works at the Commonwealth Council for Developmental Disabilities. Boggess, of Owensboro, is a retired teacher. The Kentucky Assistive Technology Service (KATS) Network Advisory Council helps to implement statewide capacity building and advocacy initiatives regarding the availability of assistive technology for individuals with disabilities.

KENTUCKY BOARD OF EDUCATION

■ **Tracey Cusick**, **Kathy Gornik**, **Wayne Lewis** and **Joe Papalia** have been appointed to serve on the Kentucky Board of Education.

KENTUCKY CHARTER SCHOOLS ADVISORY COUNCIL

■ The following individuals have been named to

serve on Kentucky's Charter Schools Advisory Council: **Brandon Kyle Wilson**, Cunningham; **Holly Iaccarino**, Versailles; **Wayne Lewis**, Versailles; **Martha Fitts Clark**, Owensboro; **Aaron Thompson Jr.**, Richmond; **Milton Seymore**, Louisville; **Ben Lovell Cundiff**, Cadiz; **Gary Wayne Houchens**, Bowling Green; and **Valerie O'Rear**, Fisherville.

KENTUCKY INSTITUTE ON AGING

■ **Bari Ann Lewis** and **Brett Bachmann** have been appointed to the Kentucky Institute for Aging. Lewis, of Louisville, is director of education and advocacy at the Alzheimer's Association. Bachmann, also of Louisville, is CEO of the Heuser Hearing Institute.

KENTUCKY RETIREMENT SYSTEMS

■ **Patrick Kelly Downard** has been appointed to the board of trustees of the Kentucky Retirement Systems. Downard is retired from the Louisville Metro Council.

KENTUCKY STATE FAIR

■ The following individuals have been appointed to the Kentucky State Fair board: Dr. **Mark E. Lynn**, Louisville; **Michael Edward Poynter**, Stanford; and **Andrew Marshall Coyle**, Owingsville.

KENTUCKY TEACHERS RETIREMENT SYSTEM

■ **Frank E. Collecchia** and **John Valentine Boardman III** have been appointed to the board of trustees of the Kentucky Teachers' Retirement System. Collecchia, of Louisville, is an adjunct professor of finance at the University of Louisville. Boardman, of Lexington, is a financial planner.

KINDRED HEALTHCARE

■ The following individuals have been named to the board of directors for Louisville-based Kindred Healthcare: **Joel Ackerman**, **Jonathan D. Blum**, **Benjamin A. Breier**, **Paul J. Diaz**, **Heyward R. Donigan**, **Richard Goodman**, **Christopher T. Hjelm**, **Frederick J. Kleisner**, Dr. **Sharad Mansukani**, Dr. **Lynn Simon** and **Phyllis R. Yale**.

KENTUCKY WORK MATTERS

■ Gov. Matt Bevin has appointed the following individuals to the newly formed Kentucky Work Matters Task Force, which has been charged with helping disabled and disadvantaged individuals find employment: Governor's Deputy Chief of Staff **Adam Meier**; Executive Cabinet Secretary **Scott Brinkman**; Cabinet for Health and Family Services Secretary **Vickie Yates Brown Glisson**; Justice and Public Safety Cabinet Secretary **John Tilley**; Labor Cabinet Secretary **Derrick Ramsey**; Education and Workforce Development Secretary **Hal Heiner**; Personnel Cabinet Secretary **Tom Stephens**; Transportation Cabinet Secretary **Greg Thomas**; Cabinet for Economic Development Executive Officer **Vivek Sarin**; Division of Income Support Deputy Commissioner **Bryan Hubbard**; Department of Workforce Investment Commissioner **Beth Kuhn**; Department of Education Commissioner **Stephen Pruitt**; Council on Postsecondary Education President **Bob King**; State Sen. **John Schickel**; State Sen. **Robin Webb**; State Rep. **Jim DeCesare**; State Rep. **Arnold Simpson**; **Buddy Hoskinson**, Department for Aging

and Independent Living; **Katie Shepherd**, Kentucky Supreme Court designee; **Mike Michalak**, citizen at-large (Shelbyville); **Katie Wold Whaley**, citizen at-large (Lexington); **Beth Davisson**, citizen at-large (Louisville); and **Tim McGurk**, citizen at-large (Prospect).

LEAGUE OF WOMEN VOTERS

■ The League of Women Voters of Lexington has elected its officers and directors for the 2017-2018 year: President – **Tammy Fagley**; First Vice President – **Cindy Heine**, Treasurer – **Steve Senft**; and Second Vice President – **Donna Blue**; Directors – **Richard Heine**, **Judy Johnson**, **Carol O'Reilly**, **Barbara Sterrett**, **Lauren Wallace**, **Lynne Flynn**, **Jennifer Jackson** and **Shayla Johnson**.

NORTH AMERICAN INTERNATIONAL LIVESTOCK EXPOSITION

■ **Carrie Tilghman Derossett** and **Rebecca Nash Rowe** have been appointed to the executive committee of the North American International Livestock Exposition, which oversees the largest all-breed, purebred livestock show in the world. Derossett, of Glasgow, is the Logan County 4-H development agent for education at the University of Kentucky Cooperative Extension. Rowe, of Campbellsville, is a family and consumer sciences extension agent at the University of Kentucky.

SPALDING UNIVERSITY

■ **Andrew Trager-Kusman** and **Craig Mackin** have been named to the Spalding University board of trustees.

SOUTHEAST KENTUCKY ECONOMIC DEVELOPMENT CORP.

■ **Carol Wright**, president and chief executive officer of Jackson Energy Cooperative, has been elected to the board of directors of the Southeast Kentucky Economic Development Corp.



Carol Wright

UNION COLLEGE

■ **Terry Smallwood** has joined the board of trustees of Union College in Barbourville. Smallwood, a graduate of Union, is first vice president investment officer for Wells Fargo Advisors.

WORLD TRADE CENTER KENTUCKY

■ **Robert Helton** and **Chip McGaughey** have been appointed to the board of directors of the World Trade Center Kentucky. Helton is executive director of the Morehead-Rowan County Economic Development Council. McGaughey is a sales associate with Keeneland Association Inc.

Announcements for the Corporate Moves and On the Boards sections of The Lane Report can be submitted to editorial@lanereport.com. Due to space restrictions, announcements for the Corporate Moves section are generally limited to upper management positions. Photos to accompany announcements are welcome. High-resolution images (minimum 300 dpi) are required in order to reproduce well.

LANE ONE-ON-ONE

Kentucky's leaders express their opinions



Luther Deaton

Central Bank & Trust Co. Chairman, President and CEO Luther Deaton began work at Central Bank in 1978 as a teller and that year became vice president of equine lending. He became executive vice president of the Commercial & Retail Banking Group in 1991, COO and a board member in 1994, and in 1996 was named president and CEO. He added the title of chairman in 2002. Deaton is a graduate of Louisiana State University's Graduate School of Banking of the South, and the National Commercial Lending School at the University of Oklahoma. He has led the Kentucky Chamber of Commerce board, been chairman of the Kentucky Bankers Association and served on the American Bankers Association board among many civic and community activities. He is a native of Breathitt County and lives in Lexington.

'IT TAKES A DEDICATED SERVICE ATTITUDE TO MAKE A BANKING RELATIONSHIP WORK'

Central Bank President/CEO Luther Deaton discusses Kentucky business, tax reform and pension system fixes

BY MARK GREEN

Mark Green: What sets the most successful bankers apart from their peers? Skill, hard work (more due diligence), luck, the ability to assess character?

Luther Deaton: Hard work, integrity and service are the keys I stress to our team of Central Bankers. There is no way to short-cut success. It takes time, dedication, long hours and a service mentality.

MG: What's your best advice to those who manage banks large and small?

LD: Our greatest asset is our human capital. We can't accomplish anything without a great team of smart, dedicated, service-oriented people. That's where it all starts.

MG: What are Kentucky banking's biggest challenges today?

LD: Finding the right people who want to build a banking career. We need talented people and will need even more of them in the years to come. We can deal with all the other issues if we have folks who can develop creative solutions to customer needs.

MG: What is the most common form of lending in Kentucky?

LD: Commercial lending is our largest category. Our mortgage business is

really good due to the demand for homes and favorable interest rates.

MG: Are home buyers having problems qualifying for mortgages?

LD: It's more a question of how long it takes to meet all the requirements to satisfy the regulators. I think it's harder for first-time borrowers because the process has become so cumbersome and difficult to understand.

MG: What is the rate of non-performing loans today versus in the past, and are there any surprises here?

LD: Our non-performing assets have declined to the lowest point in years, just 1.3 percent of assets. This has been a steady improvement as the recovery has progressed. We're finding that more borrowers have regained confidence in the economy and are planning for growth in the future.

MG: We hear sometimes that today's "digital native" young adults have different expectations about banking relationships versus those of previous generations. Do you see that?

LD: You bet they do. They want service, now! They want it wherever they are, and they want it round the clock. Mobile banking is our fastest-growing product,

especially for millennials. Mobile deposit is especially interesting due to the convenience it provides. We've recently developed round-the-clock service for credit and debit cards, because that's where most customers have questions. We would never have done that a few years ago. The fact that our population is so active and so connected to their mobile phones makes customer support a critical service for us.

MG: The impacts of evolving technology on banking are diverse. Direct deposit and online banking have reduced the number of face-to-face interactions. Do banks need fewer physical locations? Do you foresee this changing appreciably in the next five to 10 years?

LD: Most customers still prefer to establish new relationships in a branch, even if they use mobile banking for transactions. Frankly, a lot depends on whether the customer sees the bank as a place to do transactions or as a place they go to for advice and assistance with more complex financial questions. Many aspects of banking require discussion and advice to ensure the relationship is structured to meet all of the customer's needs. We're involved in insurance, investments and wealth management in addition to banking. Most people still prefer to have those types of discussions face-to-face.

MG: Where do we stand in the business cycle? Still expanding? Stuck in low gear?

LD: It all depends on where you are. Lexington is just emerging from the recession, and growth is just beginning to ramp up. We've seen much more business expansion in our markets in Northern Kentucky and Louisville. They seem to be ahead of us in that regard.

MG: What are your expectations regarding Federal Reserve interest rate policy this year and next? What will the impact of rising interest rates be for business and individuals in the long run?

LD: The Fed is concerned about inflation and is monitoring rates very closely. They are poised to raise rates if they detect any signs the economy is heating up. I think we need to be really careful with that. Higher rates could really affect the mortgage industry and expansion by small business.

MG: The appearance seems to be that fewer banks are domiciled in Kentucky but more banks are competing for business, especially in the larger markets. Is this, in fact, true? If so, why?

LD: Banking in our markets is strong. We have 97 bank charters with \$37 billion in deposits in our markets. In Lexington, we have 38 bank charters and \$8 billion

in deposits. And we now have 137 banking offices in Fayette County. Other banks are opening offices here because Lexington is such an attractive market, really the most attractive in Kentucky.

MG: What are the key issues for businesses looking to establish a good relationship with a bank?

LD: They want several things. Will this bank be here to serve me when I need them? Are they large enough to have the resources to meet my technology needs, my borrowing needs and other services such as insurance, investments and wealth management? Do they know about my business, and are they willing to learn more? It takes a dedicated service attitude to make a banking relationship work. Our bank was founded on that concept and it's even more true today, 71 years later.

MG: What are today's top community banking lines of business? Which are generating the most business and revenue for banks today?

LD: Obviously, commercial lending and commercial real estate lending are very important, because those relationships can uncover other needs such as cash management, insurance, retirement plans, investments, etc. Mortgage is a good area for us, and we stress it in all our markets. Insurance is one of our fastest growing areas that fits our high-service business model.

MG: How big today, to both banks and bank customers, is the threat of cyberattack?

LD: The risk is there because customers want convenience and ease of use without it being slowed by safeguards. We are continuously adding more systems to protect the bank and our customers. We are constantly risk assessing our systems and our customers' use of them. We monitor our website constantly for any hint of a cyberattack. We are using social media to help educate our customers on what they can do to protect themselves and their money. Still, it's always a worry.

MG: Does Kentucky business have enough access to capital, or might the state need bigger banks to finance projects? Is syndicated financing adequate?

LD: We've got some syndication, what we call participation loans. We put the loans together, just in Kentucky, to give you an example, of \$75 million to \$100 million. Our lending limit is almost \$40 million; then we get banks out there that have a pretty good-sized lending limit and bring them into the credit, if it

takes that. We've got six or seven banks that we work with and we trust each other; we do the analysis of the credits, and we all buy in, and we participate it out to the other banks. So this bank has never had a problem handling any type of credit. We've always been able to accommodate the customer.

As far as bigger banks go, I guess they're OK. But we've just never looked at it that way. We look at business in terms of what can we do with our local banks that's home-grown here in Kentucky.

MG: How often are participation lending projects done? Is that common?

LD: That happens pretty regularly. And the good part about that is that if we participate in some bank, and they are over their line on one of their credits, they call us and ask, "Will you participate in that credit with us?" And we participate in that. So we go back and forth on different credits and different banks, and we reciprocate to them, they do for us as well.

MG: Does it make it more complicated to finance a project if you're doing participation financing?

LD: No.

MG: Does a lead bank handle all of the qualification?

LD: We lead it. But the other banks have to do their own enquiries. They have to do their own credit analysis and all that, too. Because the regulators, when they come in, ask, "Did you take theirs, or did you do yours?" And so they have to do theirs, too.

MG: So you are actually backing each other up with double, triple due diligence?

LD: Right.

MG: The banking community has been asking for repeal or revision of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act since 2011. Do you support repeal or reform of Dodd-Frank, or specific parts of it?

LD: I don't think they should repeal it. I think they should fix it. It's far too complicated and has provided very little benefit for consumers. Congress has attempted to control the large banks while restricting how community banks serve the needs of their customers. There is no question it has become more challenging for community banks to operate and to meet the needs of their markets. They have made it so difficult on the consumer.

Is credit hard to get? Yes, because you have to do so many things in order

to take care of a customer. Before, you didn't have to do a lot of those things. On a mortgage loan, we used to close one in 15-30 days; now it's 45-60 days. And it means nothing to the customer, who just wants to know how much is my payment and what's my interest rate? That's what they're worried about.

And we didn't get into this subprime lending stuff (that caused the 2008 financial crisis, prompting Dodd-Frank's passage). Banks in Kentucky didn't get into any of that. Mortgage lending in our small towns, in small community banks, that's our bread and butter. But now they have no comparable sales (information to use in qualifying the loan); people won't appraise their properties, so they have a hard time with this. It didn't help the consumer. It's hurt the consumer. And it didn't do anything to fix Wall Street, either.

MG: Should the more-difficult mortgage qualification regulations be rolled back?

LD: Yes; they have to do that. I don't blame the regulators. I blame Congress. Congress passed the law, and the regulators have to do the regulation within the law. They can't change what Congress said, so the regulations that are interpreted and put into effect have to match up with what Congress says you have to do. I don't blame the regulators at all. A lot of banks blame them. I do not. They're doing their jobs.

MG: Has Dodd-Frank produced any benefits to the industry?

LD: None.

MG: You are on the state's pension system review and advisory board. Any repair or fix for Kentucky's now worst-in-the-nation unfunded pension liability is going to be costly and painful. Is there any least worst way to begin to take on this problem?

LD: The first thing they need to do is tax reform: How much money can we come up with that can go toward the pension obligations, if any? It's going to be a hard fix. Everybody says that has to be paid for before anybody else can be paid a pension, which I guess it's true. Who's going to be able to write the checks if they don't have the money? The state employees' pension fund is spending more money than they're taking in.

So No. 1, they've got to find out how much money they need to fix this pension. I think what they have to do is they need to freeze it. I think they've got to do it like a 401k, and then they've got to fund it. I'm not putting the blame on anybody. Gov. Matt Bevin has a tough

road ahead of him. He didn't create this, but he owns it. He's governor, and he's going to have to take a stand to fix it. If I were him, I would do tax reform first, see how much money I could come up with, and then I would say, OK legislature, we don't have enough money so here's my proposal to fix the pension.

I will tell you I think there has to be a tax increase. There's gotta be. You've got the Medicaid expansion healthcare thing they say is going to take \$500 million in the next year or so to fund. You've got this pension thing that they've already put a billion-some dollars toward, plus they're putting more in. And it's not helping; they don't have enough money. So they've got to come up with more revenue.

Now, can we grow jobs fast enough to increase existing tax revenue? No, I don't think we can. What they need to look at, once they do the tax reform – and they need more revenue – I think they've got to look at an increase in sales tax of 1 or 2 percent and say this is going toward the pensions. Once we get them stabilized where they're supposed to be, then that sunsets and that tax comes off. I don't believe anybody who says they can fix this pension without tax reform and without a tax increase. I think it has to happen.

MG: The governor is aiming to reform the state tax system and fund the pension shortfall later this year. Is there any kind of low-hanging fruit to go after?

LD: Gov. Brereton Jones had a tax reform commission, and Gov. Steve Beshear did as well. And I sat on the one for Gov. Beshear, and I went to all the meetings. There is some low-hanging fruit. A cigarette tax; they could do that. They could put a tax on dry cleaners or whatever – not food or drugs, but other things – and see how much they could come up with. What they need to do is take those two tax reform commissions' recommendations and look at them. Take the good and leave out the bad. That's one place where they could start.

But (state Budget Director) John Chilton is a pretty smart guy. I think he's got the right guy doing the budget, and the right guy looking at tax reform, and the right guy looking at pension reform. I think he's a guy who understands the numbers, and I think they've got to listen to him.

MG: What will be the obstacles to overcome if Kentucky attempts to shift from an income-based tax revenue to consumption-based revenue, such as Tennessee's, which is sometimes cited as a successful model?

LD: Our income tax is a big portion of our budget. I don't have the numbers, but if they try to eliminate income taxes to do that right now the sales tax would go out the roof. I think it's almost impossible.

MG: The phrase "business-friendly tax code" has been used for years to describe the most desirable outcome. What is the business community's preference for a tax base structure that best supports economic growth, job growth and personal income growth in Kentucky?

LD: I think any good, well-run business would be willing to accept a tax increase if it would fund the right things: education, number one. The business community has proven that it wants to fund education. And education has been neglected. There are some kids right now who cannot go to school because of the tuition. The state has to come up with something to fund education; it has to happen. If that means a tax increase, it means a tax increase.

But the problem we have in this state and in this country is you've got the Tea Party and you've got the liberal Democrats, and they're so far apart. They're so far apart that they can't come in the middle and sit at the table and say, look, let's do what's best for our state, for our kids, our industry, and see what we can do that's both fair, whether it's raising taxes or lowering taxes or whatever it might be. But make the right decision for the people of the commonwealth. I don't see that happening.

Last year they elected twenty-some new Republicans to the state House of Representatives, and they now control the House. I would hope the people who came in there say, I'm willing to look at what's best for this state and not what's best for me as a Republican or Democrat or Independent. I want to do what's right for the state; I want to do what's right for our people. I want to educate our kids, create jobs for our kids, so they don't have to leave home.

But I don't think that's possible. I hope I'm wrong.

MG: How do you make time and what methods do you use to stay informed about what's happening in the fields that you have to keep up with?

LD: Well, it's a passion I have. This bank has grown with small businesses; we've provided the capital for them to grow, and we've grown. That's where I get satisfaction. I'm very involved with the Kentucky Bankers Association. I'm on the board of the American Bankers Association. I go to all the conventions, all the seminars. I get involved in the state, like the pension shortfall issue –

somewhere down the line, it's going to come down to the people to pay for this pension. It's gonna happen; I don't care what they say, how they slice the cake. But how do we do it so that it's fair, and how do we do it to make sure it's a win-win for everybody?

That's why I do it. Very few nights do I get home early, but I love what I do. I love taking a person who's got a dream, who's got a great plan, and helping fund that person and watching that person grow. We've done so many of those. I could tell you story after story. And that's where I get my satisfaction.

MG: Do you do any mentoring? What best practices you can share?

LD: Well, it starts with – and I tell everybody I try to mentor, whether it's internal or external – I say, honesty and integrity means everything. We're not all perfect. We all make mistakes. Admit your mistakes. If you've got those two qualities, which creates character, just stay focused. When you think you're right, take a stand. But if somebody says, hey, let's talk about this, I think you're wrong, be able to admit that you're wrong on an issue and say, I'm wrong, and I agree with you. I've seen so many people, during the time I've been in this business – not in banking, in every business – who think they can do no wrong; and they think it's my way or the highway. You can't have that attitude.

In this recession that we just went through, one worst word says it all: It was greed. Greed put us where we're at. They forgot what makes this country and this state better, which is small businesspersons helping their businesses, creating jobs and educating our kids.

MG: Do you have a closing comment?

LD: I'd like to say something more about education. Last week we learned that UK only receives about 15 percent of its budget in state funding while other comparable universities in more prosperous states get 40 percent of their funding that way. We can't hope to grow our economy and our state if we can't afford to educate our youth and create jobs that will offer a successful future. That's a benefit of tax reform that should be placed near the top of the list. We're talking about a better future for our children and grandchildren to enjoy this wonderful place we call Kentucky. ■



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

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POWERED BY  EAST KENTUCKY POWER COOPERATIVE



After preparing in their classrooms for a day in the simulated town, Biz Town students get to work soon after arriving at Junior Achievement of the Bluegrass. The fifth-graders launch businesses, discuss loans and banking, deposit checks, and work at their assigned jobs. At left, these students are “employees” for the day of Forcht Bank, one of 14 companies that sponsor storefronts in JA’s simulated town.

“The lessons center around financial literacy, how a community economy works, workforce habits and being a team member, how you run a business, entrepreneurship,” Wigglesworth said.

The curriculum correlates with Kentucky’s Core Content for Assessment in math, social studies, and practical living while focusing on 21st-century job skills, including soft skills such as being a team player, communicating with others, problem solving, and thinking critically.

“Unfortunately, we hear time and again that many students are lacking the basic skills to successfully engage in the workforce and economic community,” said Lynn Hudgins, president of JA of the Bluegrass.

One of the biggest challenges Kentucky employers face is finding qualified workers with the right skills for the jobs they have available. Less than 10 percent of Kentucky employers believe the overall workforce has good skills, according to a 2015 survey by the Kentucky Chamber of Commerce. More than a quarter of those employers said they have trouble finding jobseekers with good soft skills.

“This is both a crisis and an opportunity for Central Kentucky,” said David Royse, chairman of the JA of the Bluegrass board of directors.

Junior Achievement, founded in 1919, is the world’s largest organization dedicated to educating students about work readiness, entrepreneurship and financial literacy through experiential, hands-on programs. The Bluegrass chapter, founded in 1963, reaches more than 20,000 students per year with its classroom curriculum and volunteer programs, which show them “how to generate wealth and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace,” according to the JA website.

The addition of Biz Town to the Bluegrass chapter’s lineup has created a unique opportunity to introduce key life skills to young students.

“Young people who have been exposed to the various Junior Achievement classroom programs and the ‘real-life’ experiential learning experience at JA Biz Town gain an early understanding of the concepts and values that are

A Living Lesson in Economics

Biz Town bridges the gap between classroom learning and the real world

BY LORIE HAILEY

AT first glance, it looks like elementary students having fun on a field trip with their classmates. But a trip to Biz Town at Junior Achievement of the Bluegrass is so much more than that.

JA Biz Town serves fifth-grade classrooms with a series of in-class lessons on entrepreneurial and personal finance skills that culminate in a day-long visit to a fully interactive, simulated town. There, they put their new business knowledge to the test, launching and working in businesses, opening bank accounts, paying their employees, voting in an election, and learning about the importance of philanthropy.

“If they call it a field trip, I am usually pretty quick to point out to them that Biz Town is not a field trip,” said Ron Wigglesworth, a former high school principal who serves as senior education

manager at JA of the Bluegrass. “This is a culminating event. This is where the kids actually get to put into practice what they have been learning.”

The simulated town, which resembles a small shopping mall, opened its doors in January, and has already served more than 2,500 students. It is located inside the old Linlee Elementary School building on Spurr Road in Lexington, where JA of the Bluegrass is leasing nearly 13,000 s.f. from Fayette County Schools to operate their programs.

Biz Town is designed for fifth-grade students, but the program also can be utilized by fourth- and sixth-grade classes. Participating classrooms are provided with curriculum and supplemental materials, including a 250-page teacher guidebook, a classroom kit with games and posters, and student workbooks. Each student also receives a checkbook, debit card and health card, Wigglesworth said.

Fifth-grade students participate in a town meeting at the beginning of their day in Biz Town, where they learn the rules and elect a mayor.

crucial to attaining career success and fulfillment in a rapidly changing world,” Royse said.

A day at Biz Town

Biz Town is intricately designed to teach students about what it means to own and operate a business on a day-to-day basis. Local companies – including Chick-fil-A, Forcht Bank, Kentucky Utilities, UPS, iHeart Media, Keeneland, Scanlon Family Philanthropy Center, Toyota, UK Healthcare, Kentucky Society of Certified Public Accountants, the University of Kentucky, LEX 18, and Lexington *Herald-Leader* – sponsored and decorated storefronts where the students “work.” There is also Biz Town City Hall and one open storefront, for which JA is still seeking a community partner/donor.

“Our storefront partners have made a significant investment in our young people because they recognize the importance of introducing students to the ‘real world’ of work, business and personal finance, early and often,” Royse said. “Additionally, we are hopeful that those organizations will benefit from their exposure to the students, parents, teachers and volunteers who come to ‘live and work’ in Biz Town for a day.”

After attending orientation, students elect a mayor, launch their businesses, discuss business loans and banking, participate in job training, conduct staff meetings and make marketing plans, deposit their paychecks, go to lunch, shop at the businesses, and participate



in other activities. It is a full day of learning and fun, but is also a lot of work, Wigglesworth said.

At the end of the day, when asked how they feel, students often say they are tired, he said. “We say that’s how your parents feel, too, at the end of a long day,” Wigglesworth said.

Experiencing Biz Town often opens doors for students and helps them realize their potential, Hudgins said. The program helps students connect the dots between what they learn in school and the real world, and sometimes it opens up career options they had never before considered.

“JA Biz Town/JA Finance Park is a very focused experience that we believe will be a ‘game changer’ for our students and the entire Central Kentucky community,” said Melissa Bacon, board chair for Fayette County Public Schools. “Our kids will enjoy an opportunity of

lifetime in which they can truly make adult decisions and actually learn first-hand how an economy works.”

Five years in the making

Biz Town opened Jan. 10 after a five-year fundraising and planning campaign. Many businesses got on board right away, Hudgins said, and others needed to see the JA of Kentuckiana’s Biz Town in Louisville before making a commitment. The Lexington Biz Town is modeled after Sam Swope Biz Town, as the Louisville program is officially named. It opened in 2004.

JA of Kentuckiana, founded in 1949, also operates a JA Finance Park program, where middle school students are immersed in a reality-based, decision-making process that addresses individual and family budget considerations such as housing, transportation, food, utilities, health care, investments, philanthropy and banking, according to JA. They learn about the implications of financial decisions, consider the options available, and construct and live within a budget.

Since the two programs began, more than 250,000 students have participated in JA of Kentuckiana’s Biz Town and Finance Park programs.

JA of the Bluegrass is currently planning its own Finance Park program. It will be housed in the same structure as Biz Town, but the curriculum will change to accommodate middle school students during certain weeks of the year. Finance Park will open to students in December of 2017, Hudgins said.

Junior Achievement has a host of other programs designed to prepare young people to succeed in the global economy. To learn more about how your business can donate to or volunteer, visit juniorachievement.org/web/ja-bluegrass or juniorachievement.org/web/ja-kentuckiana. ■



Soon after learning their job assignments, these Kentucky Utilities “employees” receive on-the-job training and prefer for their workday.

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



Genscape Created Global Energy Market Analytics

Louisville entrepreneurs created tools to monitor production and flow of electric power, then oil, NGL, solar and more

BY SUSAN GOSSELIN

WHERE do traders in the energy industry go to find global power market forecasts for electrical, wind and solar?

Kentucky.

Where do shipping magnates go to find real-time maps, showing how many supertankers are currently carrying crude oil on the world's oceans?

Kentucky.

Where do bidders for crude go to find out background on the oil supply chain, like transportation delays, refinery outages and oversupply?

Kentucky, again.

Why? Because Kentucky is the home of Genscape, a nimble and innovative company that boasts the world's largest monitoring network for the entire energy spectrum, from electrical power to oil, natural gas, petrochemicals and NGL, agriculture, biofuels and maritime crude freighters.

When Genscape puts together the results of all that monitoring, it can provide thousands of subscribers high-quality, real-time access to that data. That means traders can make better trades, the markets can set better pricing for commodities based on real-time data, and utility companies can make perfectly pitched investments in their businesses based on real-world business models. Genscape brings a transparency to the global energy market where none existed before.

Company founders created a business and a demand for this data, essentially building their own market. And they did it all here, with their headquarters in the Old Louisville section of Louisville, Ky., employing around 100, with an additional 350 employees in offices across the globe, including Boston, Houston, Amsterdam, San Francisco, New Jersey, Hamburg, Calgary, London, Singapore and many others.

Genscape provides highly accurate storage level measurements using aerial photography. Genscape's ARA Refined Product and Crude Storage Reports use data from highly calibrated infrared cameras, aerial diagnostics, and other proprietary technologies to measure gasoline, gasoline components, naphtha, jet fuel, gasoil, and crude oil storage levels tank-by-tank in the Amsterdam-Rotterdam-Antwerp region, the most critical component of the European oil supply chain.

Co-founders Sean O'Leary and Sterling Lapinski received an Ernst & Young Entrepreneur of the Year award in 2003 for their early success, even before Genscape's expansion into other countries and other energy markets.

O'Leary has a University of Michigan bachelor's in finance and economics and a University of Louisville MBA in entrepreneurship. Lapinski has a bachelor's in finance from the Wharton School of Business at the University of Pennsylvania, and has extensive experience in energy trading. As Genscape's chief development officer, Sterling created and managed the technology and intellectual property core of the business.

"There are three things that dictate price in the energy markets: supply, basically how much you have; demand, or how much is needed; and transport, which is how it's delivered," said Dierdre Alphenaar, chief research and development officer at Genscape headquarters in Louisville. "Our founders back in 1999 were in the business of trading electric power. And as volatile as that market was, they realized that they were basically making educated guesses and operating in the blind."

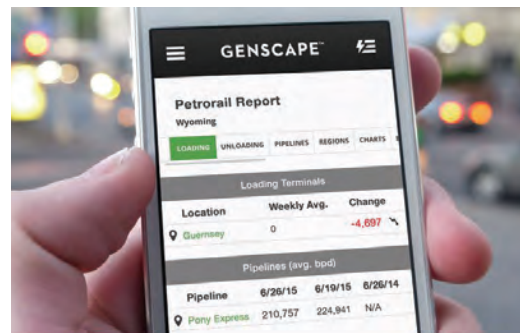
"Prices moved up and down, and they had no visibility as to why. They



Sean O'Leary,
Co-founder,
Genscape



Sterling
Lapinski,
Co-founder,
Genscape



SAC Design worked with Genscape to create a client-facing app to host reports, alerts and news and present information in a clean, edgy, easy-to-digest way.

Genscape cultivates a culture of entrepreneurship among its employees, many of whom hold advanced degrees.

asked themselves, what would it take to get the hard information we needed to buy and sell?” Alphenaar said. “They realized they had to have visibility across all supply, demand and transport for that to happen. And Genscape was born out of that.”

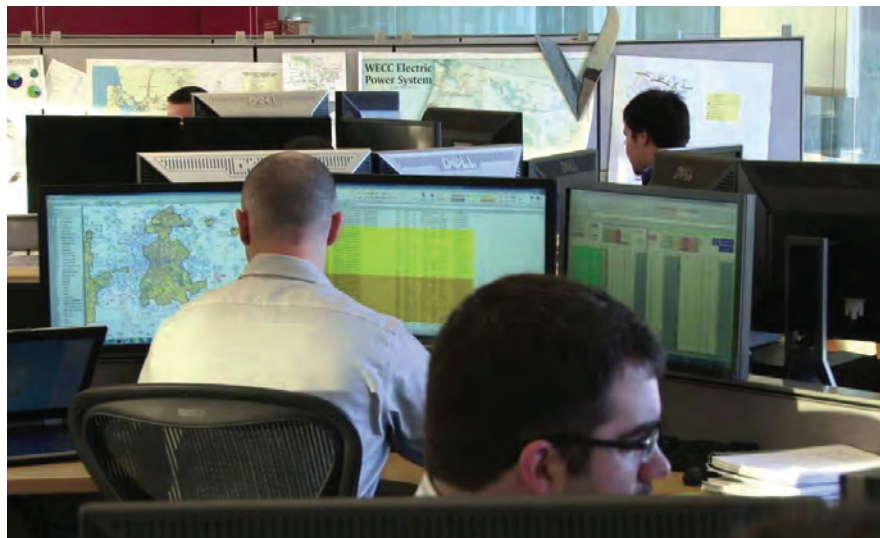
Creating better power industry data

Genscape started by developing the tech to monitor the flow of electricity throughout the grid, according to Alphenaar. This presented certain problems, as it would be difficult to get permissions from every power plant to install monitoring devices. Instead, the team patented a remote monitoring device that could be set outside the plants, nearby to the central power lines that exited the plants. These small, inexpensive devices served as remote sensing meters, measuring the magnetic field coming off those lines.

“Those sensors beam back information every five minutes,” she said, “and we can apply math to take the magnetic field value and translate that to the megawatt power flow. We combine that with our satellites, which allow us to read thermal imagery on the power plants, showing us if they are running, or closed, or broken down. Put that all together, and we have a true visibility to the market. If the market needs to make pricing decisions based on the supply of power, they have all the information they need to make those calls, in real time.”



Dierdre Alphenaar,
Chief Research
And Development
Officer,
Genscape



Over the years, Genscape has deployed this technology to monitor 1,000 power plants across the globe. Its clients pay for that information as part of a subscription service. The present client base includes the majority of the top global commodity and energy trading hedge funds, banks, producers and marketers, as well as numerous government entities, including the U.S. Department of Energy and the Federal Energy Regulatory Commission.

And it’s not just the big players who are signing on. The company says it has picked up numerous small and medium-sized clients that find having the right information pays them dividends that justify their investment.

Tracking oil, gas and shipping

Genscape’s market intelligence began but doesn’t end with the monitoring of electricity. It’s applied much of its expertise to tracking the oil and gas industry as well. In many respects it’s a much harder job, as the company has to

track not just the refineries themselves but the pipelines that carry the product.

But in this case, Alphenaar said, the original proprietary tech helps because the remote power-flow-sensing monitors track energy current to the motors that pump gas through pipelines.

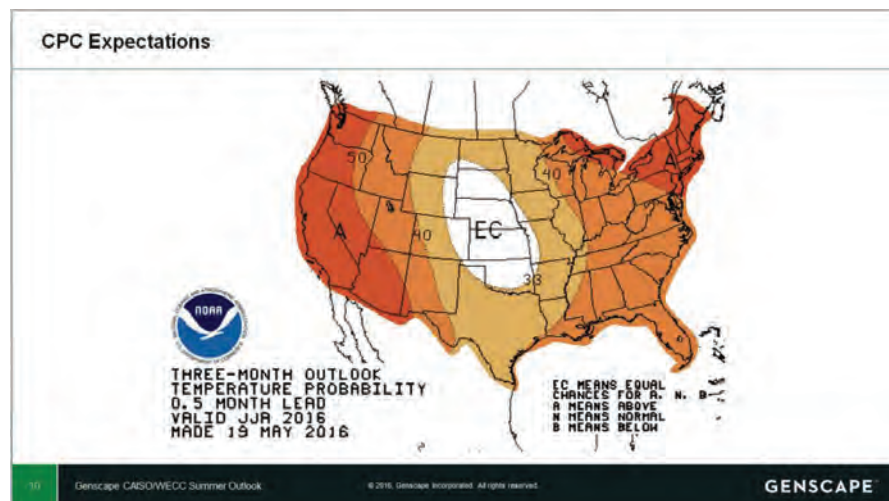
“We can take that data and extrapolate it, so we can calculate how fast crude is being pumped through the pipelines,” she said.

Genscape monitors more than 130 key U.S. and European oil refining and processing facilities. Its subscribers can get reports on the status of the ethanol supply chain and global biodiesel imports as well.

But it doesn’t stop there. After all, they may be able to tell how much crude is being produced, but that information means little if the crude doesn’t get to its destination. To address that question, Genscape also tracks the movement of crude oil over the open seas.

All ships above a certain size engaged in sea transport are required to have a collision control beacon that transmits information such as the ship’s manifest data, the country where it is chartered, its destination and the like, Alphenaar said. Genscape’s technology follows roughly 144,000 commercial ships daily, aggregating the beacon data all ships use. Additionally, Genscape’s Vesseltracker technology monitors activity in ports.

“Who’s coming in? Who’s waiting to offload? Where have there been ship-



In May 2016, Genscape’s CAISO analysts presented their expectations for the energy demand market for the coming summer for renewable power generation versus thermal.

ENERGY & ENTREPRENEURSHIP

Mark Deverill and Amanda Lake, GENSCAPE - Vessel Tracker, discuss their product, which monitors commercial shipping by aggregating the collision avoidance system beacon data every ship produces, at the SHIPPINGInsight 2015 conference in Stamford, Conn.

ping accidents? Whose shipments are delayed due to weather? All these things are very, very important to know, not just to oil and gas, but to traders, shipping companies, insurers and a broad spectrum of industries,” Alphenaar said.

Clients using the system are able to access an interactive global map that shows the exact location of all the ships on the seas, and allows them to run reports based on type of cargo, point of origin, destination and more.

Genscape has continued to keep clients coming back by continuing to dive deeper into all the data and all the factors surrounding an industry. For instance, the company recently developed a product they call Digital H2O, which collects data regarding the use and flow of wastewater in the oil and gas industry.

“That may seem like a small detail, when you first look at it,” Alphenaar said, “but you have to have water if you want to drill a well for oil or gas. And you have to have a way to dispose of that water after it has played its part in the drilling process. If you’re going to run a drilling project, you have to answer the question: What is the load on the local wastewater disposal wells? Can I open a well in another county and have access to the water I need? Who else is using the wastewater system in this area? If I use water, where will I have to dispose of my wastewater?”

Genscape started by developing the tech to monitor the flow of electricity throughout the grid.

Through Genscape’s system, clients are able to aggregate the public domain water management documents to get a total picture of what everyone around them is doing with their water – how it’s sourced, where it’s disposed, and how much is being used. They add in big data to aggregate the information, slice it into manageable reports, and add in analytics.

Tracking the growing solar industry

Think it’s impossible to monitor the flow of electricity being generated by all the solar panels in solar farms and on rooftops? Not surprisingly, Genscape



has found a way to monitor this new flow of energy, too. In fact, by its estimates, the global production of solar grew by 53 percent in 2016 alone.

Genscape acquired Locus Energy, a solar monitoring company, to help it quickly get its arms around the global trade in solar power. Using remote sensing technology similar to that for traditional power plants, Locus has deployed more than 150,000 sensors worldwide, resulting in more than 80 billion data points collected, with most of that coming from the U.S.

The information can come from sensors embedded in the panels themselves, or through sensors monitoring the output on the lines. Even with but 13.5 percent of U.S. solar capacity covered through Locus, the information generated is invaluable to larger utilities, capital providers, equipment manufacturers and asset managers.

Born in Louisville, staying in Louisville

Though Genscape’s business is focused on tracking the energy industry, it theoretically can follow any supply chain for any industry. The company has already branched into following soybean processing, and U.S. fertilizer production and transportation.

And in the future? Expect to see Genscape offer tracking on supplies of lithium ion or any other feed stock going into the supply of batteries and solar panels.

Whatever the company does, it can be counted on to keep its commitment to staying headquartered in Louisville. In fact, the company recently relocated to 1140 Garvin Place, the former site of a dairy operation in Old Louisville. The company signed a 10-year lease

after Garvin Place Properties LLC invested \$3 million in renovating the property. The location is large enough to allow the company to increase its workforce significantly.

“Genscape has made a commitment to preserving Louisville’s infrastructure by moving into Old Louisville. They have truly made it a modern-day office environment,” said Deana Epperly-Karem, vice president of economic development at Greater Louisville Inc. “Their leadership knows how to engage employees, and their office space reflects that, with a creative modern space offering employees opportunities to work together, relax, play and be their most productive. They are a leader in recruiting the best and the brightest to our region. We’re proud to have them here,” she said.

As a native of Ireland and Cambridge, England, Alphenaar can personally attest to the city’s ability to attract the right candidates.

“So many of the people we employ are Ph.Ds, and highly educated people. We hold open houses here for business owners who are considering a move to Kentucky pretty often. And they always ask us, do you have the talent pool you need here? And we say ‘yes’ every time, because we got our start here, and we’ve grown here,” she said. “The people we’ve attracted here are happy, and like to stay. We’re looking forward to what the future will hold for us here.” ■



Deana Epperly-Karem, Vice President of Economic Development, Greater Louisville Inc.

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



Right-To-Work Might Be Working

It's definitely cited for bringing a \$1.3 billion aluminum mill to Eastern Kentucky

BY GREG PAETH

THERE'S debate about how critical "right-to-work" status is when a state tries to convince a company – especially a major employer – to build a plant inside its borders.

There was nothing ambiguous, however, in one recent case near Ashland in Greenup County when Braidy Industries decided to invest \$1.3 billion in an aluminum rolling mill in South Shore, where the population was – at last count – 1,122.

Braidy Industries said at the time of the April 26 announcement and continues to say today that it would not have given Kentucky any consideration as a

site for the project unless the state had adopted right-to-work legislation.

"Braidy Industries supports right-to-work," CEO Craig Bouchard said in an email from Europe, where he was meeting with prospective customers of the mill, which will supply auto body sheet aluminum, plate and ultra-high-strength alloys for the aerospace industry. "Our board of directors considered 24 towns and municipalities. We did not begin a dialogue with the



*Craig Bouchard,
CEO, Braidy
Aluminum*

Employees of companies that have unions are no longer required to join the union and pay dues since the Kentucky General Assembly passed and Gov. Matt Bevin signed right-to-work legislation in January 2017.

Commonwealth of Kentucky until the law was enacted. As a point of fact, we would not have chosen any site in Kentucky without its passage."

That mirrors what he said in late April when the project was announced and supports comments by Gov. Matt Bevin, who had made right-to-work legislation a top legislative priority once his Republican Party controlled the governor's mansion, the House and the Senate. Last November's elections delivered the House to the GOP for the first time since 1921.

While some pieces of legislation get shuffled around longer than a bus ride from Paducah to Pikeville, House Bill 1 rocketed through both chambers of the legislature and Bevin signed it on a Saturday, Jan. 7, with its effective date only two days later.



*Matt Bevin,
Governor,
Commonwealth
of Kentucky*

Kentucky became the 27th state to pass right-to-work legislation, which allows employees to work in a union shop without becoming a union member or paying union dues. Previously, employers with union shops were required to make employees join the union and pay its dues to get and retain a job. Throughout the country, the legislation has been considered anti-union and part of a strategy to diminish their power by shrinking their bank accounts.

In late May, Louisville-based Teamsters Local 89 and the Kentucky AFL-CIO sued the state, the governor and the Labor Cabinet in Franklin Circuit Court in an effort to overturn the right-to-work legislation, claiming the new law was an "arbitrary exercise of power" that is "a pretext for anti-union discrimination and political gains."

The suit contends the law violates the state constitution by taking the union's right to represent workers and collect dues – union property, it argues – without providing any compensation for that property. Dues-paying members are subsidizing "free riders" who don't pay because the union is required by federal law to represent all of the employees who do similar work even if they don't pay dues, said Louisville attorney Irwin H. Cutler Jr., who represents the AFL-CIO in the lawsuit.



*Irwin H.
Cutler Jr.,
Attorney,
Representing
AFL-CIO*



Gov. Matt Bevin, left, and Braidy Industries Chairman Craig Bouchard talk with reporters April 26 in Greenup County about a proposed \$1.3 billion aluminum mill in northeastern Kentucky. Bevin and Bouchard said Kentucky would not have gotten the project without having passed right-to-work legislation in January.

Kentucky Today/Tammie Brown photo

“Right-to-work is way down on the list (of factors that influence site selection),” said Cutler, who doubts that the legislation was, in fact, pivotal to Braidy’s decision.

In his email from Europe, Bouchard – the Braidy Industries CEO – made it clear that he disagrees strongly about mandatory union dues.

“Regarding right-to-work, there is much confusion on this topic and many people miss the key point. Any individual has the right to choose how to spend his or her income. No one is empowered to take away this right,” he wrote.

Bevin and his Cabinet for Economic Development have trumpeted the long-term impact of the aluminum mill, the first greenfield U.S. aluminum mill in 30-plus years, which is expected to create 1,000 construction jobs and 550 advanced manufacturing jobs once the project is completed in 2020.

When the project was announced, Bevin said it had “...the potential to be as significant as any economic deal ever made in the history of Kentucky. ... This \$1.3 billion investment will create enormous opportunity for people in the region, and would not have been possible without our recently passed right-to-work legislation. ... The ripple effect of this investment will be significant and will produce positive change in the region for generations to come.”

Record year for projects ... by June

The state’s news release said the Braidy deal, which will break ground next spring, “marks a turning point in bringing eco-

nomics development to Eastern Kentucky” a little more than 53 years after President Lyndon B. Johnson declared the country’s War on Poverty in Appalachia.

The opening page of the Economic Development Cabinet’s website shows a photo of Bevin signing the right-to-work legislation next to a headline that says “KY IS NOW RIGHT TO WORK.” Three highlighted project announcements beneath a photo of the governor focus on the aluminum mill, the \$1.5 billion Amazon.com shipping hub at the Cincinnati-Northern Kentucky International Airport, and Toyota’s decision to invest another \$1.3 billion in its sprawling plant in Georgetown.

“Kentucky’s right-to-work status matters tremendously in getting us that initial seat at the table. The volume of inquiries and leads we’ve been getting since January certainly supports this,” according to an email from Jack Mazurak, a spokesman for the cabinet.

By late May, Mazurak pointed out, the state had already “shattered the state’s all-time, full-year (business) investment record,” which provides “more supporting evidence of the importance of right-to-work.”

Braidy Industries played no role in pushing right-to-work legislation through the House and the Senate, Mazurak said.

“Chronologically, it was not an if-then situation. The General Assembly passed right-to-work legislation in early January. Mr. Bouchard was first connected with our cabinet and the Governor’s Office in early February,” according to Mazurak.

“However, Gov. Bevin, our cabinet’s leadership and other state officials knew (from site-selection consultants, who work on behalf of companies looking to expand) that Kentucky had previously been eliminated from consideration for other, unrelated economic development projects due to not being right-to-work. It’s likely there have been many other projects from which we were initially eliminated but, in that regard, we don’t know what we don’t know. Now we have a seat at the table. We’re in the ballgame and on the field, so to speak,” Mazurak said.

Leveling the project playing field

There is no simple formula that determines what factors are most important to a company searching for a plant site, according to Mazurak and others familiar with the process. And right-to-work isn’t always a key factor in a corporate decision. “...Each project is different and each company’s lineup of factors is different,” Mazurak said.

Hal B. Goode, president and CEO of the Kentucky Association for Economic Development for the last five years and a 28-year veteran of the economic development profession, said his organization has pushed right-to-work legislation for many years.

“We want to make sure that everything is on a level playing field when companies come in,” Goode said. “They’re coming



Hal B. Goode, President/CEO, Kentucky Association for Economic Development



Kentucky’s repeal of “prevailing wage” rules in January means contracts using state and local government funding no longer must pay contractor workers at least as much as the local union wage is for their job title.

Teamsters Local 89 and the Kentucky AFL-CIO sued in May to overturn the state's right-to-work law on the grounds that it constitutes a taking of union property – dues – without compensation.

in looking for reasons to eliminate you, and that (an absence of right-to-work legislation) was one of the things that would come up to eliminate Kentucky.”

During meetings of Kentucky United, right-to-work legislation routinely emerged as being vitally important to making Kentucky more competitive, Goode said. His association and Kentucky United, a public-private economic development organization, sometimes work together.

The Kentucky Chamber pushed passage of right-to-work legislation for decades, said President and CEO Dave Adkisson and Ashli Watts, vice president of public affairs for the organization.

“The Kentucky Chamber, representing thousands of businesses across the state, has advocated right-to-work legislation for at least 30 years,” Adkisson said when the legislation was approved. “The Kentucky General Assembly made a bold and historic decision to pass a right-to-work law, to guarantee workers a choice about joining a union and to tell the world that Kentucky is open for business. We congratulate the General Assembly and Gov. Bevin for having the courage to pass this legislation and to make Kentucky an even better place to do business. We are confident this will lead to more jobs and more opportunities for Kentuckians.”

Studies show that private-sector employment grew by more than 17 percent in right-to-work states in recent years, the chamber said. That was just over double the growth rate for states that had not passed similar legislation.

Prevailing wage law repealed as well

Accompanying right-to-work was repeal of Kentucky’s “prevailing wage” requirement, which mandated that projects funded



publicly could not pay construction workers less than average union wages in the area where work was to be done.

Just six months after the legislation was signed, prevailing wage repeal has had no obvious impact on highway construction in the state, said Chad LaRue, executive director of the Kentucky Association of Highway Contractors, which is based in Frankfort.

However, he said the overwhelming majority of the more than \$700 million in highway work done recently by the Kentucky Department of Transportation includes federal funds, which require that contractors pay “prevailing wages.”

“Our industry is supportive of paying a living wage and regardless of the changes in the law, we have not seen the wages dip,” said LaRue, whose membership is overwhelmingly non-union. KAHK did not take a stance on the issue.

While it’s far from the driving force behind a billion-dollar project and it won’t create a single job for the City of



*Chad LaRue,
Executive
Director,
Kentucky
Association
of Highway
Contractors*

Fort Mitchell in Northern Kentucky, the right-to-work legislation and a companion bill that repealed the state’s prevailing wage law have found a fan in Jude Hehman, mayor of the upscale suburb in Kenton County.



*Jude Hehman,
Mayor,
Fort Mitchell*

City administrator Sharmili Reddy confirmed that the city received bids to repair three streets last December and that Fort Mitchell was prepared to spend about \$897,000 for the work.

After prevailing wage repeal legislation passed in early January, the city decided to seek bids again and one contractor said his company would do the work for \$823,000.

“This legislation not only saved us \$75,000 on a road project which we have invested back in our infrastructure, but will also save taxpayer dollars for future public projects by putting them on a level playing field with private projects,” Hehman said. ■

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

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Kentucky
UNBRIDLED SPIRIT

FridayAfter5.com

Owensboro, Ky.



Well operators position pump trucks around the well bore prior to “fracking” the BlackRidge 3Ds #1-HOR well in Lawrence County. The red storage tanks hold the water used in hydraulic fracturing process.

Quick facts

- There are 11 natural gas pipelines that cross through Kentucky. They flow in one direction, so gas extracted in Kentucky is piped to the northeastern states.
- No new oil or gas refineries have opened in the United States since the 1970s, except for a small “boutique” refinery in North Dakota. A refinery in Somerset, Ky., Continental Refining Co., was restored and reopened in 2012 after being closed for many years. Kentucky has one other refinery, Catlettsburg Refining LLC, which is part of the Marathon Petroleum Corp.
- The first commercial well in Kentucky was drilled in 1818 in McCreary County. It was drilled for brine but produced oil.
- The Exxon No. 1 Duncan in Webster County holds the record as the deepest well in Kentucky. It was drilled in 1977 and was 15,200 feet deep.

Fracking Boom Hushes Ky. Oil and Gas Action

Commonwealth’s hydrocarbon resources aren’t commercially viable at current prices – but markets change

BY LORIE HAILEY

KENTUCKY’S oil and gas industry has had a rough several years. Activity has been trending downward for over a quarter of a century, although promising new drilling targets were discovered just a few short years ago and hopes were high. That all came crashing down in late 2014, when the prices of oil and gas plummeted.

Experience shows the market shifts, but for now, with oil prices sitting at about \$45 a barrel and projected to drop even lower, and natural gas prices at about \$3 per million BTU, Kentucky permits for oil and gas drilling are at a record low and are likely to stay that way for some time.

Kentucky ranks 20th in the nation for crude oil production, and 18th for natural gas, according to 2012 U.S. Energy Information Administration

data, the latest available. But the oil and gas industry is overshadowed by its behemoth cousin, coal, for which – along with horse racing and bourbon – Kentucky is synonymous. (The commonwealth is the nation’s fifth largest producer of coal.)

The fact that Kentucky has an oil and gas industry at all comes as a surprise to many people, said Brandon Nuttall, a geologist in the energy and minerals section at the Kentucky Geological Survey (KGS) at the University of Kentucky. It is much smaller than the coal industry, and doesn’t get nearly as much press.



Brandon Nuttall, Geologist, Kentucky Geological Survey, University of Kentucky

“Kentucky has been so focused on coal,” he said. “A lot of people have no idea that we have commercial (oil) wells that date all the way back to the 1800s.”

The footprint of oil and gas activity in Kentucky is small compared to coal, agreed David Harris, head of the energy and minerals section at KGS, but more than half of Kentucky’s 120 counties produced either oil or gas, or both, in 2016. The activity, occurring mostly in eastern and western Kentucky, can be easy to overlook, though.

“After the rig is gone, there is a very little evidence of an oil and gas well,” Harris said. “There may be a small pipe sticking out of the ground, a few tanks sitting on the location to collect the oil, but other than that, there’s not big evidence of the wells there. It is a bit hard to tell sometimes.”

The industry may be small, but it is still important to Kentucky’s economy, said Bill Barr, managing partner at BlackRidge Resource Partners and member of the Kentucky Oil and Gas Association (KOGA) board of directors. It pays millions in state taxes, employs thousands of



David Harris, Energy and Minerals Section Head, Kentucky Geological Survey



Bill Barr, Managing Partner, BlackRidge Resource Partners

workers, and for every dollar produced, it pays 12.5 cents of that to royalty land-owners, he said. In 2015, that amounted to about \$40 million.

In 2014, the industry directly employed more than 3,000 workers and paid them an average annual salary of \$75,000, according to KOGA. That number is likely to be lower now, though, because drilling activity has all but stalled.

Although it is resilient, and things could turn around quickly if oil and gas prices increase or the geopolitical climate changes, the Kentucky oil and gas industry is “very stressed at the moment,” Nuttall said.

Just how bad is it?

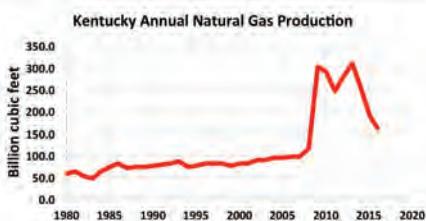
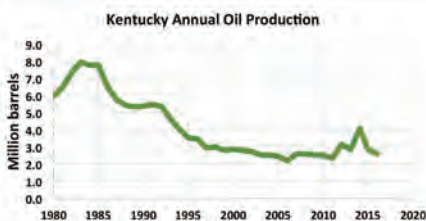
“The oil and gas situation is not good,” Harris said.

Drilling permits issued by the Kentucky Division of Oil and Gas have been steadily declining since 2008 when oil peaked at over \$130 a barrel, but the past few years have been particularly low.

So far this year, only 59 permits for oil and gas drilling have been issued. KGS predicts the total number of permits for 2017 will be 50 percent less than the number issued in 2016, making it the third year in a row permitting will have declined by 50 percent or more.

“The production numbers will typically lag behind the permitting numbers,” Harris said. “As soon as permitting goes down, you’re almost always guaranteed to see a decline in production. It’s been a pretty devastating change for the oil and gas industry.”

There are 250 to 300 small producers in Kentucky. In 2016, 2.59 million barrels of oil were produced statewide, a 9 percent drop from 2015, Nuttall said. The total value of oil produced in 2016 was \$96.8 million, a 28 percent drop from 2015’s \$136.3 million. There was, however, a slight increase in the number of wells in 2016, up to 12,425 from 12,019 in 2015.



Last year, there were 16,074 natural gas wells, a 6 percent increase over 2015, but the amount of gas retrieved from those wells was down 15 percent. The total value of the gas produced in 2016 – \$107.3 million – was down a whopping 53 percent.

In 2015, the industry paid \$16.3 million in taxes. That amount dropped to \$9.1 million in 2016.

“Drilling activity is down, and here’s why,” Barr said. “We’re no different from any other business. We are market-commodity-price driven. If oil is at \$100 a barrel, you’re going to spend more capital because you are going to have a better, quicker return on your investment. If oil is at \$30 or \$40, you’re going to have a slower return, you’re going to be more cautious, and your bank is going to require you to spend less money.”

A short-lived boom

Kentucky oil production has been declining steadily for the past 30 years, with a few small spikes here and there. Things seemed to be looking up in 2013, however, when new drilling techniques were used to access natural gas and oil stores in the Devonian Berea sandstone in Lawrence County.

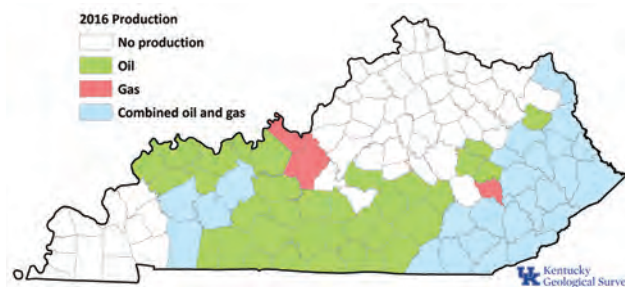
The Berea had been vertically drilled extensively since the 1920s, primarily for gas, but it had “nuisance oil” associated with it. The oil was considered a nuisance because it didn’t produce enough to be commercially drilled. Horizontal drilling and hydraulic fracturing changed that, in a big way. Oil production numbers went up to 4.1 million barrels in 2014 from 2.9 million in 2013.

“This little ‘play’ in Lawrence County actually turned around our production numbers, and we saw a significant increase in oil production in 2013 and 2014, which got a lot of people really excited,” Harris said. “It was a small boom there in northeastern Kentucky and the industry was feeling pretty good about it.”

A play is group of hydrocarbon fields or prospects in the same region that are controlled by the same set of geological circumstances.

Almost as quickly as it started, the boom was over. In 2013 and part of 2014 oil prices were nearly \$100 a barrel. Not long after the oil play in Lawrence County began, prices dropped to \$48 a barrel.

“Unfortunately, (drilling) that play is not economic at those prices, and so we’ve seen essentially all drilling in that area come to a halt because of the low



Sixty-three counties produced oil or gas, or both, in 2016. The top Kentucky counties for oil production are: Lawrence, Henderson, Union, Lee and Webster. These five counties produced 42 percent of the state total in 2016. The top counties for natural gas production are: Floyd, Pike, Clay, Knott and Letcher.

oil prices,” Harris said. “That little bump has now started to decline again. We’re back on our downward trend, unfortunately, because nobody can make money at current prices.”

No new horizontal wells at the Berea sandstone have been permitted in 2017, Barr said, but there has been some drilling this year for wells that received permits in 2016. His company plans to drill up to four wells there later this year.

Natural gas had a similar boost in production that began in 2008, which “was really the beginning of a big shale gas boom,” Harris said. It lasted until 2014, when growing U.S. natural gas supplies pushed prices below the profitability floor for Devonian drilling. Production has steadily declined ever since.

Gas production involves much more than drilling, and isn’t economical at such a low price. The gas produced at the well often is a mixture of methane, ethane, propane, butane and other gases, Nuttall said.



Wellhead equipment is used to connect the pump trucks and sand blending equipment to a well during a hydraulic fracturing well stimulation.

BlackRidge Resource Partners photo

COVER STORY

“These other gases will increase the heating value of the natural gas. What you have to do is remove that because it interferes with transportation. The gas is too ‘hot’ for use in a lot of equipment,” he said. “Because of processing fees to take the raw natural gas to a (refined) product that can actually be sold into the pipeline and used, and then the transportation costs, you can actually lose money producing a natural gas well in certain parts of Kentucky.”

Improved technology leads to controversy, new targets and regulations

Both booms were the result of drilling reservoirs using two controversial techniques: horizontal drilling and hydraulic fracturing, or “fracking” as it has come to be known.

“The combination of those, drilling a hole horizontally into a formation rather than vertically and then using hydraulic fracturing to release the oil and gas from the rock, have really been the game-changer in the U.S.,” Harris said.

Conventional drilling involves inserting a vertical pipe into the ground to extract hydrocarbon liquids flowing between rock formations underground. The natural underground pressure is all it takes to pump the oil from the well to the surface. These formations have high permeability, meaning the fluids move easily through the rock.

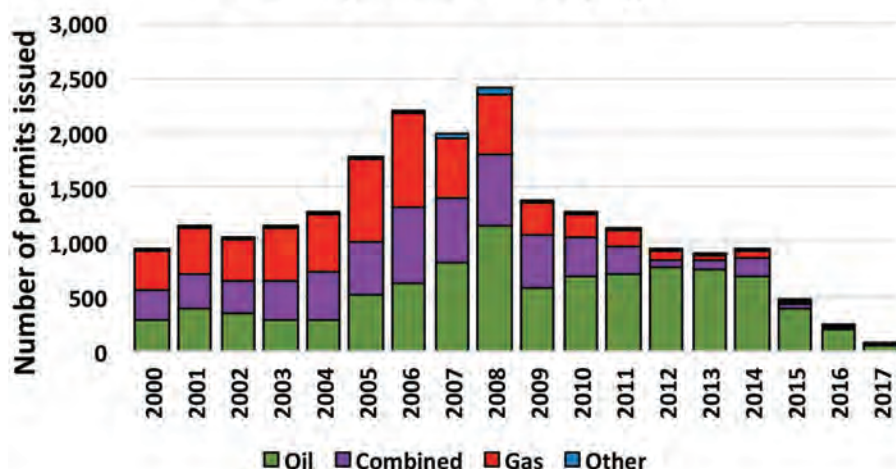
Hydraulic fracturing was developed by Halliburton in the mid-1990s to extract oil and gas from geological formations with low permeability. Fracking involves injecting a high volume of water, chemicals and fine sands to “fracture” a deep rock formation to enhance the flow of oil and natural gas produced from a horizontal well, according to KOGA literature. Tens of thousands of wells have been hydraulically fractured in the U.S. in the last decade,

boosting domestic production and driving down gas prices.

“Hydraulic fracturing started off with low volumes of water,” KOGA’s Barr said. “We learned that you could add surfactant, which is nothing other than dish soap, or similar items, to slicken the water. It allows it to go into the rock easier. Over the years, we’ve added more chemicals, although it is still less than a couple of percent chemical, and the rest is water and sand. We’ve learned to add nitrogen to the water and foam it to allow it to carry sand. For others, we use only nitrogen because of how the shale reacts to water. The formation dictates the formula, and the magic is in knowing what recipe is right for each formation.”

That “recipe” was developed over the years, primarily in Texas, and those techniques have moved across the country. In Kentucky, he said, most natural gas wells have been fracked with nitrogen, an inert gas that has zero impact on the environment.

Kentucky Permits Issued by Type



And Kentucky’s “fracks” are small compared to those used in larger oil and gas production areas. A huge slick water frack in Kentucky would be 1 to 1.2 million gallons. In the Utica and Marcellus shales in Pennsylvania, a 12 million-gallon frack is considered small, Barr said.

The use of fracking has prompted environmental concerns across the country. An organization based in Berea, Ky., called Frack Free Foothills, formed in 2014 to protest fracking in Madison and its surrounding counties.

“Fracking produces large amounts of wastewater polluted with brine, toxic chemicals, hydrocarbons (oil and gas byproducts), and even radioactivity that has been known to pollute drinking water wells, streams and land,” according to the organization’s website. “Our water treatment facilities cannot handle this type of waste.”

In addition, Frack Free Kentucky claims being near fracking wells can reduce the value of property and that the process itself is linked to earthquakes.

The group’s efforts to fight fracking in Madison County helped encourage the state legislature to review and update Kentucky’s oil and gas drilling laws, which had not been updated since the 1960s, Nuttall said.

“A lot of the issues related to hydraulic fracturing and horizontal drilling in Kentucky’s regulations have been updated,” he said. “We now require pre-treatment and post-treatment monitoring of water wells. We now require there to be reclamation plans in place, and we require public disclosure of all of the chemicals used in hydraulic fracturing.”

A “pumpjack” is used to mechanically lift oil to the surface of this BlackRidge Resource Partners’ well.

BlackRidge Resource Partners photo



Where do we go from here?

There are some potential new, unconventional oil and gas drilling targets being explored now, including the Rogersville shale, a very deep formation in Eastern Kentucky. Those new targets "could turn into significant increases in production in the state," Harris said. "But it's too early to tell."

The Rogersville shale, located in Lawrence and Johnson counties, is attracting much interest, but little is publicly known about the exploratory wells that have been drilled there, Nuttall said. Economic viability of the Rogersville shale will depend on the production rates established there, along with higher commodity prices.

"There have been a couple of hundred thousand acres leased, and the players that leased it were major companies like Continental, Cimarex, EQT and some other larger companies," Barr said. "It is an expensive play. The wells are 12- to 14,000-feet deep, and the stakes are high."

If it is successful, he said, it will be transformative for that part of north-eastern Kentucky, in terms of royalties paid to landowners, severance taxes paid to county and state governments, job creation and wealth creation.

"If you do the math, for every 1,000 barrels, 125 go to the landowners. At \$50 a barrel, that's \$6,000 a day. That's \$180,000 a month," Barr said. "That has happened in the Marcellus and Utica (shales) in Pennsylvania, northern West Virginia and eastern Ohio."

To survive, Kentucky's oil and gas industry must be ever-evolving, he said.

"We've got to be flexible, look for evolving play and apply technology,"



*Scott R. Smith,
Senior
Consultant,
Smith
Management
Group*

Barr said. "The Rogersville could be a major example of that."

Other factors could help boost the U.S. oil and gas industry, said Scott R. Smith, senior consultant with Smith Management Group, which specializes in energy project development and environmental permitting. A number of

power plants are coming online that will be fueled by natural gas instead of coal, he said, and that will impact demand.

"A lot of people don't realize how much gas those facilities are going to consume," he said. "They may have underestimated that demand."

The Trump administration has made approval of natural gas exports a significant part of its energy strategy. New U.S. Secretary of Energy Rick Perry said he wants to make the U.S. a "dominant energy force" by exporting oil, gas and coal to markets around the world. In April, Perry approved the first permit to export liquefied natural gas overseas. The first shipment was delivered to Poland in June.

Natural gas is the backbone of the petrochemicals industry, Smith said. Because Kentucky's natural gas is not pure methane, the other gases have to be processed out and transported to the petrochemicals industry in other parts of the country. The commonwealth could benefit greatly by working to establish its own petrochemicals industry here, he said. Kentucky already has at least one company, a PVC manufacturing facility in Calvert City called Westlake Chemical Corp.

BlackRidge Resource Partners photo



Workers from BlackRidge Resource Partners rig up a drill on the #1-HOR well located in Lawrence County

Barr remains optimistic about Kentucky's future oil and gas prospects, even as the industry waits for prices to climb and demand to grow.

"So how do we continue on?" He asked. "The industry has to be selective as we look at our new prospects, we have to embrace new technology, and we have to do things better and smarter."

"I still think there is a room for robust oil and gas fossil fuel industry in the state," Barr said. "There are thousands of wells that have produced and will produce for decades to come." ■

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

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Playing Catch Up with Infrastructure Needs

With gas tax revenue decelerating, Kentucky joins the search for a strategy to fund roads, bridges and more

BY MARK GREEN

STATE officials and members of the private transportation infrastructure sector are searching for a strategy not only to catch up to Kentucky's needs but get ahead of the curve.

As the June issue of *The Lane Report* detailed in the cover story, gasoline tax rates and collections that keep the state Road Fund filled have fallen with prices in recent years. The General Assembly added a floor of 26 cents a gallon to the tax formula last year and the Kentucky Transportation Cabinet's Pause 50 program suspended new projects for a year so the road fund could rebuild to the \$100 million minimum believed appropriate to manage the financial Grand Central Station of payment traffic the cabinet oversees. This month, the commonwealth will begin new project spending for fiscal 2018 at \$50 million, less than a third of typical years recently.

"The Cabinet did the right thing in enacting Pause 50," said Juva Barber,

executive director of Kentuckians for Better Transportation (KBT). "They had to right-size the ship. This gave them a chance to know that they can pay the bills that they have before they do more."

Allowing the road fund to fall so low the state couldn't pay its highway construction and maintenance bills would have started a chain-reaction of problems for the entire sector. Avoiding it, though, caused the state to fall further behind in maintaining its multi-modal transportation infrastructure, including not only roads but bridges, ports, railroad crossings and more.

Pause 50 is considered a short-term success.

"That doesn't take away the need. People need those projects to go forward. It just takes longer for it to hap-



Juva Barber,
Executive
Director,
Kentuckians
for Better
Transportation

pen," Barber said. "We still fell a(nother) year behind."

Transportation spending had exceeded revenue by nearly \$500 million for the 2014-16 biennium, Transportation Secretary Greg Thomas told legislators in testimony a year ago. Gas tax rates are tied to the wholesale price of gasoline, which had steadily declined. Revenue in 2015 was \$195 million less than 2014.

Wholesale gasoline prices run roughly 20 cents a gallon below retail, according to the National Association for Convenience and Retail Fueling, whose members sell about 80 percent of U.S. gasoline. The cost of retailing is 12 to 16 cents a gallon, and sellers make about 5 cents profit a gallon.

Under Kentucky's current formula, gasoline taxes will not begin to rise off the 26 cents floor until wholesale prices top \$2.17 a gallon.

In late June, retail prices were bouncing around at levels at or below \$2.17.

Founded in 1978, KBT is a multi-modal trade association with 303 members across a variety of sectors, from contractors to construction engineers, chambers of commerce, railroads, airports, some counties and cities, and even important system users like UPS and Toyota, Barber said, "because they can't do what they do without a multi-modal transportation system."

KBT advocates for a safe, sustainable transportation network, which means there must be adequate long-term financial support to keep Kentucky competitive, she said. Roads and bridges get most of the political attention, but members want all of the elements maintained and improved because all the pieces impact each other.



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With Kentucky Transportation Cabinet officials having identified a need for an additional \$205 million in revenue annually to keep up with maintenance of existing roads and bridges, and any new construction adding to the total, state House Speaker Jeff Hoover appointed a bipartisan Transportation Task Force in late June to examine options and make recommendations in December, ahead of the 2018 General Assembly session.

"It's so Kentucky can maintain its competitive edge, which is where we are located in the country," Barber said. The state has attracted the UPS Worldport, a DHL air freight global hub and soon the first-ever Amazon Prime hub because their sites are within a day's drive of the majority of the U.S. market. "But you have to actually be able to drive there. You have to have the infrastructure support" for the logistics sector to function.

Beyond its roads and its bridges, she said, about 70 of which are now closed for safety reasons, Kentucky has some 2,000 railroad crossings, eight public ports and public transit on its responsibility checklist.

All of it is part of an international supply chain for manufacturers, commerce and consumers, raw product producers and users, including agriculture as well as public service systems such as education.

"It is a national and international process," she said. "We don't buy all the Camrys we manufacture here in Kentucky."

According to Barber, the Transportation Cabinet has identified a need for an additional \$205 million a year just for road resurfacing and bridge maintenance. Additions to the system that are being sought across the state add to the total.

There is no obvious answer. The gas tax funding model that has been a mainstay

for states and the federal government has been losing traction over the past decade, especially after the 2008-09 recession as Americans drove fewer miles, their vehicles have grown more fuel efficient and a small but growing number of electrics and natural gas-powered cars and trucks use no gasoline at all.

Gasoline taxes increased 4 cents a gallon in Tennessee on July 1 and will increase another 1 cent each of the following two years, adding up to 6 cents total. Tennessee's tax on diesel fuel is going up 10 cents over the next three years. Tennesseans also are paying an extra \$5 to register cars, but their sales tax on groceries dropped from 5 percent to 4 percent.

Indiana's gas tax increased 10 cents a gallon July 1 and its diesel tax 31 cents. Registration fees increased \$15 for gas vehicles, \$50 for hybrids and \$150 for electrics.

In Kentucky on June 28, House Speaker Jeff Hoover appointed a bipartisan transportation task force to examine state roads and bridges needs and options. The task force will make recommendations by December, in advance of the 2018 General Assembly that convenes in January.

Rep. Sal Santoro, R-Florence, and Rep. John Simms, D-Flemingsburg will co-chair the group. Santoro said it will

look at all aspects of the road fund, including planning and funding.

Others on the task force are Marie Rader, R-McKee, who chairs the House Transportation Committee; Matt Castlen, R-Petrie; Jeff Greer, D-Brandenburg; Bart Rowland, R-Tompkinsville; Phil Moffett, R-Louisville; Chad McCoy, R-Bardstown; and Attica Scott, D-Louisville.

"Everything is on the table," Santoro said. "Don't think we're not going to shake the bushes because we are."

Barber encourages Kentucky's business community to support making changes in funding for transportation infrastructure.

"They need to understand that transportation is important to all of us," she said, not just to the road and bridge builders. "Manufacturing, mining, agriculture, service providers – it matters to all of us. We need to be supportive of infrastructure, and be supportive of making changes to fund it." ■



Jeff Hoover, Speaker of the House, Commonwealth of Kentucky

Mark Green is executive editor of The Lane Report. He can be reached at mark@lanereport.com.



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Tapping into a New Market

Louisville event planner launches new business

THE high-profile Louisville-based wedding planner Lauren Chitwood is launching a new corporate entity to utilize her event-planning skills in new ways.

"I am creative while being a big-picture problem solver; I thrive in the complex-event environment whether it's on the social or corporate side," Chitwood said. "Being an entrepreneur is a daily roller coaster with little consistency; high risk and high reward, I wouldn't have it any other way."

This skillset has given Chitwood incredible success in Louisville and beyond, and only grows with the recent launch of Olio Event Group, which takes a focus on corporate events.

Chitwood has a decade of experience under her belt and plans 15-20 weddings per year in the southeastern United States. She's been featured on outlets like Martha Stewart Weddings, Style Me Pretty and BRIDES.com.



Lauren Chitwood

"I believe we are only as good as our last event," Chitwood said. "We take that statement very seriously. We apply the same attention to detail and skill to every event: large or small, social or corporate."

That attention to detail has set Lauren Chitwood Events apart, and continues to be a trademark of all her endeavors.

"Corporate and social events share an important characteristic: They both seek to deliver an experience for their guest or user. Whether it's a bridal shower or a corporate retreat, the guest experience should be impactful and memorable."

With this consistently in mind, Chitwood saw the opportunity to grow her business and took it, noting that with Louisville's addition of 1,500 hotel rooms and a remodeled convention center nearly completed, corporate business planning was a market with largely untapped potential.

As the business grows, she is focusing on the relational aspects of event planning, especially how her team and her vendors can improve the efficiency of her two events operations.

Lang Thomas Photography photo



Celebrating the 150th anniversary of DDWilliamson, event planner Lauren Chitwood called it "the pencil party" after creating centerpieces with thousands of pencils. DDWilliamson manufactures caramel and other natural food colors.

"While I am the face and visionary behind these two companies, there is a robust team of highly qualified event professionals alongside me," Chitwood said. "Our business is strong because we do our piece of the puzzle well, and rely on the expertise of other professionals to complement our services," she said. "For every event, we leverage our relationships with our premium vendor partners to deliver memorable experiences for our clients."

Despite the problem-prone nature of event planning, her team has proven to be agile in its ability to handle the unexpected, Chitwood said, adding that she encourages others starting out to expect the same and to grow from each experience. —Allison Antram

The Coke Plant Refreshes Paducah

Restored Art Deco jewel downtown now bubbles with entrepreneurs

"FOR roughly five years now, people have looked at us as if we're crazy," said Ed Musselman. "Now it's a no-brainer."

The crazy no-brainer scenario is the restoration of the Coca-Cola bottling plant in downtown Paducah that's now a vibrant hub for showcasing artists and musicians and bringing in locals and tourists for coffee, beer and food. The building sat vacant since 2005 before Ed and Meagan Musselman of Musselman Properties purchased the property in 2013.

The 16,000-s.f. building needed plenty of TLC. The Musselmans got the roof taken care of and windows secured. They also set about to get the property listed on the National Register of Historic Places. In May of this year they were presented with a preservation project award from the

Kentucky Heritage Council for redeveloping the plant and preserving many of its original Art Deco features. The building dates to 1939, when it was built by Coca-Cola bottler Luther Carson.

"What we wanted to do with the structure was find a way to bring in as many things that make Paducah Paducah," Musselman said of the plant's 21st-century iteration. He also wanted to include something the city didn't have yet: a craft brewery.

In February 2015, Dry Ground Brewing became the Coke Plant's first occupant. In addition to owning the building and the Dry Ground microbrewery and taproom, the Musselmans are majority owners of Mellow Mushroom, a pizza franchise based in Atlanta – and yes, they serve Coke products.

The other businesses are tenants, including Pipers Tea & Coffee; Ice Cream Factory; True North Yoga; an art gallery and gift shop called Ochre; and the Baptist Health Founders Room, a rentable community space. There also are areas for digital marketers, video production and musicians. A technology/maker incubator is in the works.

"We are trying to foster entrepreneurial growth," Musselman said. "We have a list so long of the next projects."

He has a degree in biology and worked for a chemical plant a few years before getting into the development business. Meagan Musselman has a master's in education and a Ph.D. in curriculum construction. She has been teaching for 15 years, nine as an assistant professor at Murray State.

"It's a great place to be a young professional," Meagan Musselman said of Paducah. "There are lots of young professionals in the area, lots of people to collaborate and work with."

She and her husband are both managing members of Musselman Properties.



Meagan and Ed Musselman with two of their children on closing day of the Coca-Cola bottling plant in downtown Paducah in 2013

A Leading Litigator

Advice from Fayette's top young attorney

IN May, Matt Parsons of Stoll Keenon Ogden was named the Fayette County Bar Association's 2017 Outstanding Young Lawyer.

The award recognizes an FCBA member who has practiced in Fayette County for less than 10 years, fulfilled an attorney's duties to the court, clients and community, and shown dedication to the justice system through community involvement.

"It was a complete surprise," said Parsons, 37. "It was a very great honor, and I was very grateful. I was nominated by Gene Vance, who's been a great mentor for me at this firm, and I was certainly humbled."

Parsons focuses his practice on civil litigation, particularly in the areas of business litigation, products liability and warranty defense, insurance defense, and employee benefits litigation.

Parsons is past president of the FCBA Young Lawyers Section and previously served on the boards of directors of the FBCA and the Fayette County Bar Foundation. He is a volunteer instructor with Junior Achievement and leads fundraising efforts for God's Pantry Food Bank and other charities.

He is a graduate of the University of Kentucky College of Law and holds a computer information systems bachelor's from the Kelley School of Business at Indiana University.

We asked the young attorney about his experience practicing law.

TLR: Why did you choose this profession?

MP: It was an opportunity to go into a field that presents challenging work and a continued opportunity for a lifetime of learning. There're people who are very experienced in this field who still say they are learning new things every day. Also it's an opportunity to help people and businesses solve problems.

TLR: What do younger attorneys do differently than the veterans?

MP: This is not unique to the legal profession, but technology has changed the way that we practice, and I think that is most acutely felt when you're a younger attorney. We tend to be more reliant on technology and use it more in our day-to-day practice.

TLR: How have you set yourself apart in the legal world?

MP: I think for one I actually was in IT for a career before I went back to law school, and that has been really useful for me. And being civic minded and engaged in the community is something I'm passionate about. It's really important to be well rounded and focus on both your professional obligations and community obligations.

TLR: What advice would you give people considering law school?

MP: Look at it as a financial proposition. Understand the loans you're going to take out and the debt you may get into, and how that may compare to your current situation. And contact a career services office at whatever graduate school they'll be at to find out their placement rates and salary ranges.—*Abby Laub*



Matt Parsons



Sylvanna Herrin, third from right, and Nate Polly, to her right, recently opened a new shop together selling macarons and coffee.

Strategic Partnership Drives Local Macaron and Coffee Shop

IT'S hard to beat freshly roasted coffee and French macarons, but the combination of the two is surely one to please palates all over Central Kentucky. Lexington coffee roaster Nate's Coffee and La Petite D'elicat this summer joined forces at their new paired location in Lexington's hip, growing Warehouse Block neighborhood.

The partnership is an example of the inclination for teamwork young professionals all over Lexington are displaying.

"Lexington is a city that strives to work together, and the Warehouse block district is a great example of that," said Nate Polly, owner of the five-year-old Nate's Coffee business. "Mirror Twin (Brewery) and Rolling Oven (pizza), which is directly across the street from us, is a great example; they work together to bring the community around them together and share space and the customers that seek out either the pizza or beer."

Sylvanna Herrin, owner of La Petite D'elicat, opened in 2015, said though her business sells a specialty product it's been successful because of its uniqueness and high quality.

"Very few shops make macarons because they are one of the more difficult baked goods to make," she said. "We are the only specialty macaron shop in the city of Lexington."

Polly said Herrin approached him about a collaboration.

"Sylvia actually approached us about a partnership," he said. "She wanted to expand from serving our Yo! Wake Up to offering a full espresso bar in her new space. I love the new National Avenue/North Ashland (Avenue) scene and jumped at the opportunity to establish a Nate's Coffee brick-and-mortar there. Between the great locally owned shops, restaurants, gyms and now Mirror Twin, National Avenue is just an exciting place to do business."

The duo's shop is situated in Warehouse Block, an area known for its collaborative marketing efforts and sense of community.

And coffee and macarons happen to go really well together.

"Both of us wanted to provide a place for people to enjoy what we do best, and with her knowledge of baking and mine of coffee it only seemed right that we would join forces," Polly said. "All of the businesses and people in the neighborhood have been extremely welcoming, and their support has reaffirmed our idea that this area was the right places for us to be. There are so many opportunities to see our great city continue to grow. As long as people can come together and combine their loves, Lexington will be at the forefront of a collaborative future."

Since combining, Herrin said the pair have been able to expand the shop's offerings, adding new pastry items.

La Petite D'elicat had a spot on South Ashland, but Herrin had to close it for a parking expansion at the nearby Euclid Kroger store. The shop is now located at 722 National Ave. in Lexington.—*Abby Laub*

THE LANE LIST

KENTUCKY POWER PLANTS

FOR decades, Kentucky was the third-largest producer of coal in the United States. In 2016, Kentucky dropped to the fifth-largest, as coal-fired electricity generating plants that been customers of Kentucky mines were retired. Eighty-three percent of Kentucky's net electricity generation in 2016 was coal-fired, but a record 10 percent was natural gas-fired, according to the U.S. Energy Information Administration.

Kentucky has two oil refineries – Continental Refining (Somerset) and Marathon Petroleum (Catlettsburg) – with a combined processing capacity in 2016 of about 278,500 barrels per calendar day.

NAME	LOCATION	TYPE
Barkley Dam	Cumberland River	Hydroelectric
Big Sandy Unit 1	Louisa	Natural gas
Bluegrass Station (EKPC)	La Grange	Natural gas
Cane Run Generating Station (LG&E/KU)	Louisville	Natural gas
Cannelton Hydroelectric Project	Hawesville	Hydroelectric
D. B. Wilson Station (Big Rivers Electric)	Centerville	Coal-fired
Dix Dam Hydro Plant (LG&E/KU)	Dix River	Hydroelectric
E.W. Brown Generating Station (LG&E/KU)	Near Harrodsburg	Hydroelectric, coal-fired, solar, natural gas/fuel oil turbines
Ghent Generating Station (LG&E/KU)	Carrollton	Coal-fired
Henderson Station (Big Rivers Electric)	Henderson	Coal-fired
H. L. Spurlock Station (EKPC)	Near Maysville	Coal-fired
J. K. Smith Station	Trapp	Combustion turbines running on natural gas or fuel oil
John Sherman Cooper Station (EKPC)	Near Somerset	Coal-fired
Kenneth C. Coleman Station (Big Rivers Electric)	Hawesville	Coal-fired
Kentucky Dam (TVA)	22 miles upstream from the confluence of the Tennessee River with the Ohio River	Hydroelectric
Laurel River Dam	Laurel River Lake	Hydroelectric
Mill Creek Generating Station (LG&E/KU)	Southwest Jefferson County	Coal-fired
Mother Ann Lee	Near Harrodsburg	Hydroelectric
Ohio Falls Hydro Station (LG&E/KU)	On the river, near Louisville	Hydroelectric
Paradise Fossil Plant (TVA)	Paradise	Coal-fired
Robert D. Green Station (Big Rivers Electric)	Robards	Coal-fired
Robert A. Reid Station (Big Rivers Electric)	Robards	Coal-fired
Shawnee Fossil Plant (TVA)	Near Paducah	Coal-fired
Smithland Hydroelectric Project	Smithland	Hydroelectric
Trimble County Generating Station (LG&E/KU)	Milton	Coal-fired
Wolf Creek Dam	Russell County	Hydroelectric

KENTUCKY POWER GENERATING CAPACITY

(figures for March 2017)

	KENTUCKY TOTAL	KENTUCKY SHARE OF U.S.
Electric Power Industry Net Summer Capacity	20,120 MW	1.9%
Total Net Electricity Generation	5.714 million MWh	1.8%

SOURCE OF KENTUCKY POWER GENERATION

	SHARE WITHIN KENTUCKY	SHARE OF U.S. TOTAL
Petroleum-Fired	0.1%	0.3%
Natural Gas-Fired	9.2%	29.1%
Coal-Fired	81.5%	28.2%
Nuclear	0%	20.5%
Renewables	7.9%	21.1%

Source: U.S. Energy Information Administration

SPOTLIGHT ON THE ARTS



The Artist as Entrepreneur

Running into walls and sleeping indoors

BY LYDIA BAILEY BROWN

ON June 23, I met with a select group of entrepreneurial artists who are working in technical creative industries that support the performing and film arts. The Kentucky Arts Council organized a roundtable, sponsored by the National Endowment for the Arts, to encourage thought leadership in the commonwealth. We invited our Tourism, Arts and Heritage Cabinet teammates from the Kentucky Film Office to the roundtable at the Kentucky Educational Television studio in Lexington.

After the daylong sessions ended, I enjoyed a Q&A on the topic of arts business with composer, music producer and Kentucky native Vince Emmett. As a composer, he blends country music elements uniquely with orchestral, experimental, ethereal and traditional scoring elements for feature films and episodic work. After his first feature film, *Pharaoh's Army* (1995), starring Kris Kristofferson, Chris Cooper and Patricia Clarkson, he began to receive requests for compositions and productions from major networks and film companies. Emmett's current soundtrack release "The Song," can be heard on Capitol Records and Lakeshore Records.

Lydia Bailey Brown: Vince, are you an entrepreneur?

Vince Emmett: Entrepreneur, yes. I am CEO, musician and chief bottle washer.

I now have employees but I still "wash the bottles and all the rest of the dishes. The buck stops with me.

LBB: Why don't many folks think of artists as entrepreneurs?

VE: Most people only know folks who do music or paint as a hobby. Being an artist full-time is a bizarre concept for so many who get up daily and work for a company. I understand that. My parents were very hard working people. I grew up with my grandfather's stories of building roads in Adair County Kentucky. Back breaking work, human breaking work. So, in just one generation I'm playing and writing music for 30 years and making a living. That's quite a social, cultural shift in just my family.

LBB: How has that perception of art not being a business made your career path difficult?

VE: I've run into walls. I've stood in more than one social situation being introduced as a composer and gotten giggles and awkward comments. But mostly I've experienced interest and the usual thousand questions. A working artist is just not someone you meet every day. At the same time, media – films, music, episodic works, art of every imaginable bent – is integrated in people's daily, hourly even minute-to-minute experience, more than ever before in history. Somebody has to make that.

Vince Emmett, left, chats with Neil Kesterson June 23 at an NEA Technical Arts Roundtable in Lexington. Emmett is a Louisville-based composer who has written several soundtracks.

LBB: How does an artist define entrepreneurial business success the same or differently than another entrepreneur?

VE: Sleeping indoors is a start. But seriously, I don't know an artist that doesn't consider it a blessing just to be able to do it daily. I always tell young artists, "This life is not a normal life; it is the utmost privilege." I've lived a wonderful life and provided well for my family. That's bonus upon bonus.

LBB: What skills are required for an artist to be financially viable as an entrepreneur?

VE: It's not news a young artist likes to hear, but you have to be a business minded, informed artist, otherwise the art will stop. My life consists of 60 percent new business pursuits, managing business partnerships and straightforward day-to-day connecting the dots. Then some music happens.

Prepare yourself, eating requires the exchange of money for food.

LBB: As an artist, are you working with the film industry in Kentucky?

VE: I am. I compose music for film and television, so I'm here.

We believe enough in Kentucky's efforts and those heading the effort, that we are willing to put a considerable financial investment into the future here. I have a 251-year-old log cabin that was a recording studio for years near Louisville. It is now our new post studio for my composing work.

I was honored to be invited to Los Angeles with former Gov. (Steve) Beshear and the First Lady as they made the announcement that Kentucky was "Open for Business" to the film industry a few years ago. And I'm encouraged by the excellent work of the Tourism, Arts and Heritage Cabinet and its agency leaders, including those leaders at the Kentucky Arts Council, who collaborate in the name of creative business. It's going to do well.

LBB: Thank you, Vince. We love what we do! And we are proud of your artistry and your business. ■

For more information on Emmett, visit vinceemmett.bandzoogle.com.



Lydia Bailey Brown is executive director of the Kentucky Arts Council.



Team Up and ‘Wined’ Down

Explore Augusta’s riverfront charms

BY KATHERINE TANDY BROWN

Are you a meeting planner searching for an offsite venue with inspiring gathering space, team-building activities and overnight accommodations? A bride honing in on a perfect wedding spot? Or perhaps a vacationer looking to explore small-town Kentucky, sip a bit of the commonwealth’s fruit of the vine and relax at a B&B with a splendid river view? Amazingly, three businesses near Augusta in Northern Kentucky have teamed up to fill all of those bills.

The first, **Baker-Bird Winery**, personifies the state’s rich grape-growing and wine-producing history. Set on 300 fertile acres along the Ohio River, it’s the oldest commercial estate winery with its original land in America and one of only 22 wineries – of about 6,000 in the country – on the National Historic Register.

In 1797, the first commercial vineyard in the U.S. was planted in Kentucky’s Bluegrass Region. German immigrants from the great wine area of Baden flocked to the Ohio River Valley in the mid-1800s and established “America’s Rhineland,” including the Abraham Baker wine cellar, which is now Baker-Bird Winery. By the late 1800s Kentucky had become the

country’s third-largest grape and wine-producing state.

“Not a lot of people realize what an important role Kentucky played in the country’s wine business historically,” says owner Dinah Bird. “Our 1850s records show that about half of the wine consumed in America came from Augusta.”

These days, her winery boasts 12,000 s.f. of meeting space for up to 200 people, including Baker’s historic, hand-dug wine cellar – great for multimedia presentations. The space also includes double parlors and breakout rooms in the 1850s house, and there’s the tasting room, for sampling award-winning bourbon-barrel wines.

Historic tours feature learning about the winemaking process then and now, viewing the estate’s original vineyards, rolling a barrel in the cellar and corking a bottle with your own message inside. At Wine is Wonderful University, Bird teaches guests how to use all five senses in drinking and appreciating wine and what character to look for while tasting. She even rewards “students” with a completion certificate.

Baker-Bird is open year round on Saturdays, Sundays and by appointment.

Baker-Bird Winery is set on 300 acres along the Ohio River near Augusta, which in the 1850s was the source of nearly half of all the wine consumed in the United States.

Bird also owns a second business that goes hand-in-hand with the other two. Perched on a hill 400 feet above the Ohio River, **Hawk Wood Hall** is a seven-bedroom, French Tudor home built as a bed and breakfast. With a property buyout, the B&B can easily host a corporate retreat only seven miles from the winery. As a meeting spot, the house can accommodate up to 30 people in a spacious room and up to 100 on a large patio and porches that overlook the river.

The B&B is surrounded by acres and acres of timberland and farms, and bedrooms have luscious views of nature.

“It’s wonderfully quiet,” says Bird. “Our most popular spot is the back porch with rockers overlooking the river. Our biggest problem is that no one wants to leave!”

She adds that Hawk Wood will be right on the Northern Kentucky Bourbon Trail, due to open in January 2018.

The third business, also on the Ohio, offers playtime for corporate types and groups of any age, heavenly spa services for girlfriend getaways – and guys’ retreats – plus a “we-do-it-all” locale for weddings.

Just a mile from the winery, **Potato Hill Farm** is an 1850s-era farmstead tucked in a private, 86-acre “holler.” Owners Celine and Ron Quinn began restoring the property in 2005, creating a comfy balance between old-fashioned and upcycled with modern amenities. Over 18 months, Ron and a few neighbors transformed the barn, retaining its hand-hewn beams and vintage wood and metal, while hauling creek rock for its floor and adding a “donkey bar” (read on). The destination opened for business in 2010 with sustainability as its byword.



The Potato Hill Farm corporate retreat, girlfriend getaway and wedding site includes a farmhouse spa and three donkeys for treks around its 86-acre hollow.

Both Quinns bring experience from years of teaching to create customized team building. Games that focus on goals of cooperation through strategy and/or competition include Ron's custom-made box hockey and giant Jenga, i.e. wood stacked crosswise from which a participant must remove a piece without tumbling the stack; tether ball; croquet; giant checkers; and balloon-tower building.

With views of hayfields, meadows and a creek, the gorgeous event barn can seat up to 75 for a corporate function (there's wireless access throughout) or a wedding, complete with catering, music, changing rooms and a trolley to accommodations.

As a retreat, Celine, herself a yoga practitioner, offers a "farmhouse spa." Participants revel in relaxing massages, chill on the riverview porch, sip icy cucumber water, then nibble on a delicious healthy salad and quiche made with farm-laid eggs.

In addition, three donkeys reside in the barn. All are available for treks, i.e. hiking with a donkey; picnics, accompanying a donkey to a creekside lunch on a table with white linen, fine china, and live Irish fiddle ditties; and donkey therapy.

The historic, hand-dug wine cellar at Baker-Bird Winery dates to the 1850s.

"I'm not a psychotherapist, the donkeys are," Celine affirms. "They're ancient souls that have carried everyone's burdens over time. They understand. It's so nice when they nuzzle you."

The clever, flop-eared animals can even ring a bell for a carrot treat.

If you can tear yourself away from this beautiful spot, the town of Augusta is but a short, three-mile bike ride or car jaunt away. Here you can hear about the town's part in the Civil War, stroll along the Ohio, grab a burger at the Corner Café, and hop aboard the Jenny Ann, one of the river's oldest operating ferries. Vehicles pay only \$5 one way, while pedestrians ride free.

Check out your options at bakerbirdwinery.com (859-620-4965), hawkwoodhall.com (937-108-1020), and potatohillfarm.com (513-833-6938). ■

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



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PASSING LANE

Commentary on Kentucky

Explore Kentucky's Most Notable Buildings

EARLIER this year, USA TODAY Travel and the American Institute of Architects (AIA) teamed up to develop a listing of the best buildings in America. The list below features the most architecturally significant structures in Kentucky and makes for a great starting place to develop an interesting driving tour of the commonwealth:

- Muhammad Ali Center, Louisville
- Bernheim Arboretum & Research Forest Visitors Center, Clermont
- Blue Heron Mining Community/Big South Fork Coal Camp, Stearns
- Conrad Caldwell House Museum, Louisville

- Four Roses Distillery, Lawrenceburg
- Humana Building, Louisville
- Kaden Tower, Louisville
- Kentucky Artisan Center, Berea
- Kentucky State Capitol, Frankfort
- Central Kentucky Thoroughbred Horse Farms, Central Kentucky
- Kentucky Vietnam Veteran's Memorial, Frankfort
- Lake Barkley State Park Lodge, Cadiz
- Louisville Palace Theater, Louisville
- Louisville Free Public Library, Southwest Regional Branch, Louisville



Wikipedia photo

St. Mary's Cathedral Basilica of the Assumption

- Louisville Water Works and Pump Station No. 1, Louisville
- National Corvette Museum, Bowling Green
- Northern Kentucky University Student Union, Highland Heights
- Shaker Village at Pleasant Hill, Harrodsburg
- Speed Art Museum, Louisville
- 21c Museum Hotels, Louisville, Lexington
- Spindletop Hall, Lexington
- St. Mary's Cathedral Basilica of the Assumption, Covington
- Churchill Downs, Louisville
- Keeneland Racecourse, Lexington
- Wild Turkey Bourbon Visitor Center, Lawrenceburg
- Yew Dell Botanical Gardens, Crestwood



Wikipedia photo



Above: Shaker Village

Left: Louisville Palace Theater

Right: Four Roses Distillery



Wikipedia photo

Hemp Workshop Showcases Material's Versatility

THE North Limestone Community Development Corp. hosted a Building With Hemp workshop in Lexington on June 9-10, providing participants with the opportunity to learn about how hemp can be used in construction.

Those participating in the two-day workshop learned how to mix and place hempcrete insulation in a new shotgun-style house being built at 168 York Street in Lexington.

Hempcrete is a process by which ground-up stems from the hemp plant

(known as hemp hurd) are mixed with lime and water. The mixture is placed into forms similar to the way concrete is placed and the forms are removed once the hempcrete is dry and set up. The end result is a solid, rigid, highly insulative material (R-2.4 per inch) that is hypoallergenic, fire- and insect-resistant, has significant thermal mass, and is vapor-permeable.

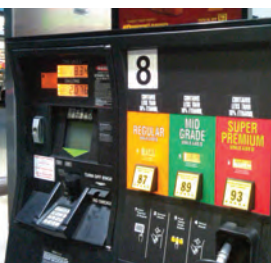
The house will be the first in Kentucky insulated with hemp and is being built with hemp grown and processed in Kentucky by Sunstrand.



Centre for Alternative Technology photo

Hempcrete is made from the stems of the hemp plant and produces a highly insulative material.

Scam Alert: Watch for Signs of Credit Card Skimmers at Pumps



KENTUCKIANS are being advised to be on the lookout for signs of tampering on motor fuel pumps during the traffic-heavy summer travel season.

Kentucky Department of Agriculture (KDA) inspectors have discovered four card skimmers while inspecting more than 20,000 motor fuel pumps across the state so far this year, according to Kentucky Agriculture Commissioner Ryan Quarles.

Jason Glass, assistant director of the department's Division of Regulation and Inspection, said consumers can help themselves by looking for signs that a pump has been tampered with, such as locks that appear to have been compromised or have a key broken off in the lock, doors that may have been pried open, and security tape that is broken or doesn't adhere to the pump.

To submit a report to the KDA, call (502) 573-0282 or email ag.web@ky.gov with the retailer's name and location, the pump number, and the fuel grade.

Airport Installs Nursing Suites for Moms on the Go

THE Cincinnati/Northern Kentucky International Airport (CVG) has partnered with Mamava to install four nursing suites throughout the terminal, concourses and administrative headquarters for nursing moms on the go.

The nursing suites are ADA compliant and provide a clean, private space for moms to sit down, relax and pump or nurse when traveling. All suites are equipped with an AC and USB power outlet to power breast pumps and charge electronics. The suites are designed to comfortably fit a mom, her luggage, additional children, partner and stroller.

Suites can be found in Concourse A near Starbucks, Concourse B between gates B13 and B15, and baggage claim level of the terminal, which is available for both travelers and visitors as it is pre-security. The fourth suite is located at the administrative headquarters building for employees and visitors.



New Report Shows Potential for Major Appalachian Petrochemical Industry

AN economic report released by the American Chemistry Council (ACC) shows that the Appalachian region could become a second center of U.S. petrochemical and plastic resin manufacturing, similar to the Gulf Coast. ACC President and CEO Cal Dooley presented the findings at a Capitol Hill press event with lawmakers including Senator Shelley Moore Capito (R-W.Va.), Senator Joe Manchin (D-W.Va.) and Rep. David McKinley (R-W.Va.).

"The Appalachian region has distinct benefits that could make it a major petrochemical and plastic resin-producing zone," said Dooley. "Proximity to a world-class supply of raw materials from the Marcellus/Utica and Rogersville shale formations and to the manufacturing markets of the Midwest and East Coast has already led several companies to announce investment projects, and there is potential for a great deal more."

ACC's report presents a hypothetical scenario that includes the development of a storage hub for natural gas liquids (NGLs) and chemicals (e.g., ethylene, propylene), a 500-mile pipeline distribution network and associated petrochemical, plastics and potentially other energy infrastructure and manufacturing in a quad-state area consisting of West Virginia, Pennsylvania, Ohio and Kentucky. It uses the IMPLAN model, an economic impact assessment soft-

ware system, to estimate direct, indirect and payroll-induced job impacts, as well as tax revenue impacts.

According to the report, the economic benefits could be substantial. By 2025, the quad-state region could see 100,000 permanent new jobs, including 25,700 new chemical and plastic products manufacturing jobs; 43,000 jobs in supplier industries; and 32,000 "payroll-induced" jobs in communities where workers spend their wages, according to the report. The new investment could also lead to \$2.9 billion in new federal, state and local tax revenue annually.

"The right policies are critical to realizing this opportunity," Dooley said. "The Appalachian Ethane Storage Hub Study Act of 2017 (S. 1075) is an important step forward. It will help inform efforts to maximize America's domestic energy and manufacturing potential." The bipartisan bill is sponsored by Sen. Capito and co-sponsored by Sen. Manchin and Sen. Portman.

"Uncertainty around financing is a key barrier to the development of energy infrastructure in the Appalachian region," Dooley continued. "Policymakers can help by affirming that NGL storage and distribution projects are eligible for existing private-public financing programs. As Congress and the administration consider infrastructure modernization legislation, the Appalachian Hub should be a priority.



And a timely and efficient regulatory permitting process is essential."

ACC's analysis projects a \$32.4 investment in petrochemicals and derivatives and a \$3.4 billion investment in plastic products, put toward the construction of five ethane crackers and two propane dehydrogenation (PDH) facilities. Three of the crackers would produce polyethylene and two would supply downstream petrochemical derivatives. Each PDH facility would contain a polypropylene resin plant. These capital investments are underway and will likely continue through the mid-2020s.

In the United States, chemical companies use ethane and propane, NGLs derived from shale gas, as key feedstocks. Plentiful and affordable supplies of natural gas and NGLs are enabling companies from around the world to build new U.S. facilities or expand production capacity. Since 2010, 301 projects cumulatively valued at \$181 billion have been announced, with nearly half completed or under construction.

KENTUCKY PEOPLE

LEXINGTON: KY HOSPITAL ASSOCIATION AWARDS KARPf WITH HIGHEST HONOR



Dr. Michael Karpf (center), executive vice president for health affairs at the University of Kentucky, was recently presented with the Kentucky Hospital Association's distinguished service award, the organization's highest honor. Since coming to UK in 2003, Karpf has implemented a vision that has resulted in unprecedented growth and expansion, resulting in the investment of nearly \$2 billion for faculty recruitment, program development, technology development and facility upgrades. Pictured here with Karpf are Susan Starling (left), chair of the KHA board of trustees and CEO of Marcum and Wallace Memorial Hospital in Irvine, and Michael T. Rust, president of KHA.

BOWLING GREEN: UK, WKU CELEBRATE NEW COLLEGE OF MEDICINE CAMPUS



A groundbreaking ceremony was held on June 6 for the University of Kentucky College of Medicine-Bowling Green Campus. The four-year, regional campus – a partnership between UK, Western Kentucky University and The Medical Center – is being built on the campus of The Medical Center in Bowling Green. Pictured here at the groundbreaking ceremony are, left to right, UK President Eli Capilouto, Medical Center Health President and CEO Commie Smith, and WKU President Gary A. Ransdell.



We'd love to feature photos of your event! To submit a photo for the Kentucky People section, please send details of the event and the names and titles of people featured in the photo to editorial@lanereport.com, with Kentucky People in the subject line. High-resolution photos (minimum 300 dpi) are required to reproduce well in print.



FRANKFORT: BRUCKHEIMER HONORED FOR DEDICATION TO HISTORIC PRESERVATION



Linda Bruckheimer (center) was recently honored by the Kentucky Heritage Council/State Historic Preservation Office and Ida Lee Willis Memorial Foundation with the Memorial Award for outstanding dedication to historic preservation in the commonwealth. Bruckheimer's projects include the rehabilitation of an 1820 Greek Revival home and farm in Bloomfield as well as eight downtown buildings. Pictured here presenting the award to Bruckheimer are Tourism, Arts and Heritage Cabinet Secretary Don Parkinson (left) and Ida Lee Willis Memorial Foundation Chair Steve Collins.

MURRAY: RON CLARK ADDRESSES MURRAY STATE EDUCATION SUMMIT



Nationally recognized educator Ron Clark was the key speaker at Murray State University's College and Career Readiness Summit, addressing some 1,850 educators who attended the June 13-14 event. Pictured here (left to right) are Robert Lyons, assistant dean of the College of Education and Human Services; David Whaley, dean of the College of Education and Human Services; Kem Cothran, coordinator of the Teacher Quality Institute; and Ron Clark. In addition to presentations from speakers such as Clark, the event included a total of 124 training sessions that focused on topics such as innovative classroom strategies for better student engagement, personalized learning techniques and new technologies for improved learning and increased efficiency.

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