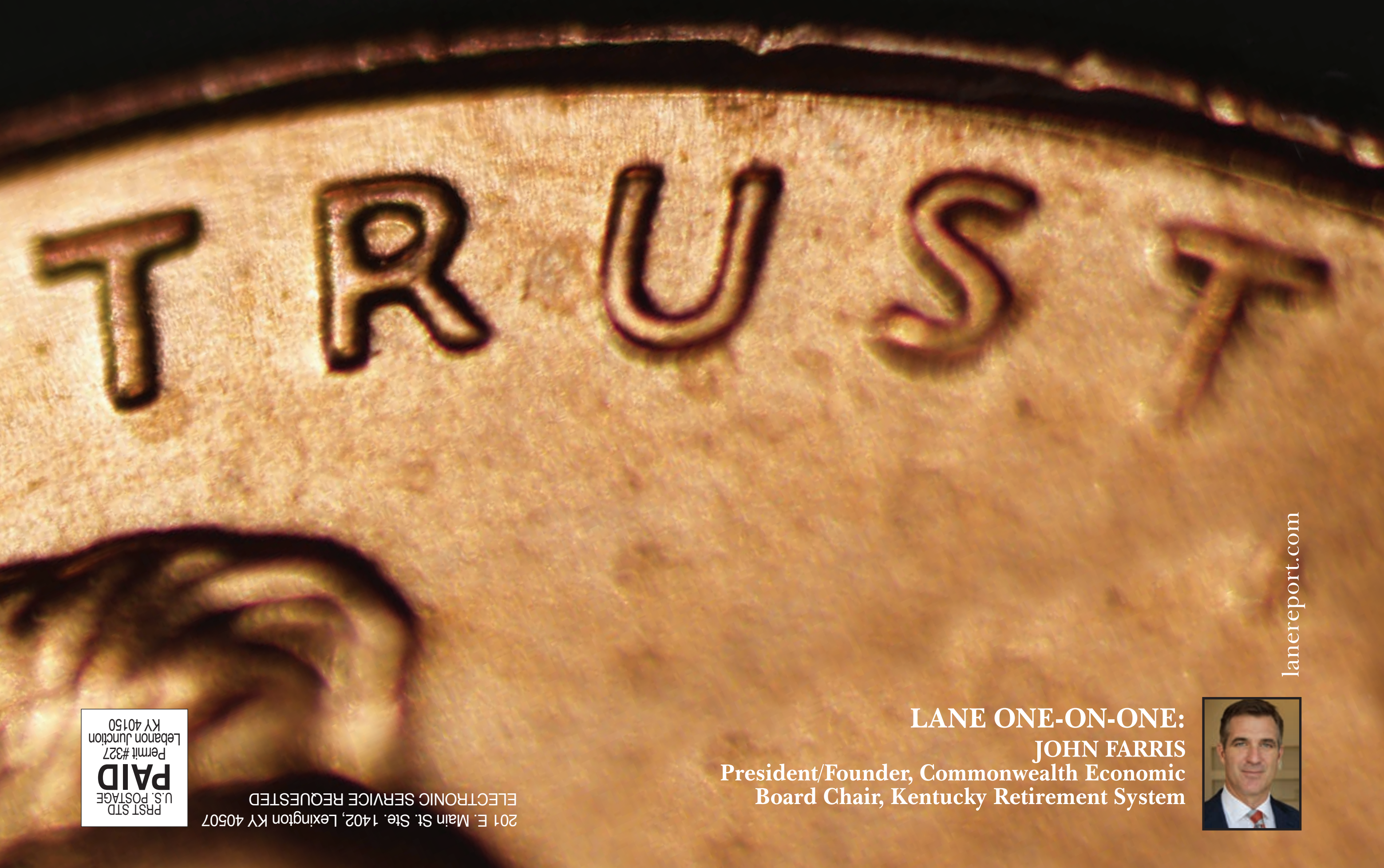
The Lane Report

KENTUCKY'S BUSINESS NEWS SOURCE FOR 32 YEARS NOVEMBER 2017 $4.50

Boomers can't take their $1 trillion in assets with them,
but many will control how it's spent

Page 24

IN TRUSTS WE STILL



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NOVEMBER 2017
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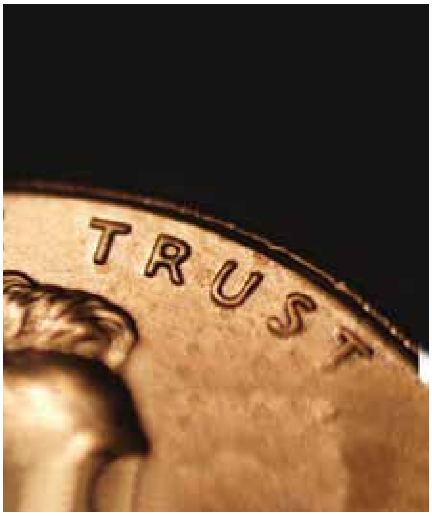
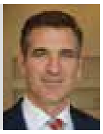


On the Cover

Trusts are an old school financial service that ensure assets go to achieve specific goals. This well used tool is being employed more than ever as the Baby Boom generation enters its prime estate planning years.

Departments



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PERSPECTIVE

KENTUCKY'S NEXT EDUCATION TEST

Teaching essential soft skills should be part of K-12 curricula

BY DAVE ADKISSON

KENTUCKY kicked off 2017 with a laser focus on improving the state's economy. Critical legislation aimed at revving up our economy and creating jobs was passed and signed into law. Those efforts, backed by the business community for years, have led to headline after headline about the record number of investments being made in Kentucky.

Those new investments total more than $8 billion and highlight that our state has taken strong steps forward in making itself competitive. While this progress should be celebrated, it should also unite us in asking "What can we do now to keep moving in the right direction?"

The answer to that question will vary depending on who you ask. However, for the business community, the answer lies in tackling one of the greatest challenges confronting employers – the lack of essential skills, or "soft skills" as they are sometimes called. These basic skills include things like showing up to work on time, passing a drug test, dressing properly for work, working well in a team, and even knowing how to give a proper handshake. Alarmingly, these are things many Kentucky businesses have a hard time finding in individuals looking to enter or remain in the workforce.

This issue has been emerging for several years, and there is no quick fix. Looking at different communities and schools across Kentucky, we see that it can be done. Various schools have found ways to develop programming, some at absolutely no cost, to help instill these essential skills into all students. These schools, their administrators and teachers must receive credit for this very important work. The state's recently proposed accountability model takes steps in the right direction to highlight the importance of essential skills, but we must ensure that instruction and meaningful programming are a priority.

Essential skills legislation being discussed by the General Assembly would acknowledge that these skills are needed for students to be successful and would empower schools to dedicate the time and energy necessary to ensure students develop these traits. Defining essential skills, prioritizing them, and providing the framework to give schools the flexibility to incorporate these key skills into our K-12 system will not just make students transition ready, but will allow Kentucky to position itself with a stronger and more prepared workforce.

It is a tough pill to swallow that the lack of these attributes is a problem that must be addressed. In the past, many parents wouldn't let their kids leave the house if they didn't know and exercise many of these skills. As job creators throughout our state will tell you, though, the lack of essential skills is the reality we live in today.

The legislature's focus on this topic at October's Education Committee meeting, and the committee revisiting the issue this month, are positive signs that the General Assembly will take action to help ensure all Kentucky students are essential skills ready. ■

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

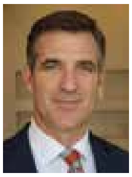
FAST LANE

A compilation of economic news from across Kentucky

STATE: 6 KENTUCKY BANKS JOIN TO LAUNCH $150M FUND TO SUPPORT PUBLIC-PRIVATE PARTNERSHIP PROJECTS

SIX Kentucky-based banks have launched a $150 million investment fund to support public-private partnership (P3) projects through the commonwealth.

The **Commonwealth Infrastructure Fund** is being supported by **Central Bank & Trust Co.**, **Commonwealth Bank & Trust Co.**, **Kentucky Bank**, **Stock Yards Bank & Trust Co.**, **Traditional Bank Inc.**, and **United Bank & Capital Trust Co.**



John Farris, founder of Commonwealth Economics, is managing the new private fund that will provide debt financing for P3 projects.

The private fund will provide debt financing to private-sector firms participating in public infrastructure projects at both the state and local levels. The fund is being managed by John Farris, founder of **Commonwealth Economics**.

Last year, the **Kentucky General Assembly** passed Kentucky's P3 legislation, giving the commonwealth one of the broadest and most comprehensive P3 laws in the country. The law established a process that allows local governments to partner with private firms to finance and build capital projects that might not otherwise be possible, creating economic development and jobs without taxpayer dollars.

The fund will provide debt financing for projects such as road and bridge repair and replacement, water and sewer systems, and social infrastructure projects like student housing, treatment centers and charter schools. In P3 projects, revenue generated from the projects themselves is generally the primary source of funding used to repay the upfront capital loaned to construct the public infrastructure.

"Although we were one of the last states in the country to pass P3 legislation," said Farris, "we can lead the nation in figuring out new and creative ways to finance critical infrastructure projects."

GEORGETOWN: TOYOTA UNVEILS $80M ENGINEERING HQ, INVESTS ADDITIONAL $121M TO GROW MANUFACTURING

Toyota photo

Toyota's recently announced $373 million investment in five U.S. plants will help support production of the Indiana-built Highlander hybrid SUV.

LONG one of the commonwealth's leading corporations, **Toyota** is continuing to invest in its Kentucky operations with the unveiling of a new $80 million engineering headquarters in Georgetown and the announcement of plans to invest nearly $121 million to expand capacity for building 2.5-liter engines at its Georgetown manufacturing plant.

The new **Production Engineering Manufacturing Center** (PEMC) in Georgetown will be the nucleus of production brainpower for Toyota in North America, bringing top engineers under one roof and allowing for quick feedback on innovations in a production environment.

The additional $121 million manufacturing investment is part of a $374 million investment in five U.S. manufacturing plants to support production of Toyota's first American-made hybrid powertrain.

Other expansions that are part of the project include adding new production of hybrid transaxles at the Buffalo, West Virginia, manufacturing facility; increasing production of 2.5-liter cylinder heads at Bodine Aluminum's Troy, Missouri, plant; and modifying the Bodine Jackson, Tennessee, plant to accommodate production of hybrid transaxle cases and housings and 2.5-liter engine blocks. The Huntsville, Alabama, plant will undergo a comprehensive upgrade to enable it to build engines that complement Toyota's New Global Architecture, a strategy to make the company's manufacturing plants more flexible by building vehicles on common platforms with common parts.

"This investment is part of our long-term commitment to build more vehicles and components in the markets in which we sell them," said Jim Lentz, CEO, Toyota Motor North America.

The 2.5-liter engines manufactured in Kentucky and transaxles made in West Virginia will be used in hybrid vehicles built in North America such as the Highlander hybrid manufactured in Princeton, Indiana.

While the Kentucky project will not involve adding any new jobs, Toyota said the investment helps ensure the stability of the plant's employment levels in the future.

COVINGTON: CTI CLINICAL TRIAL HQ BRINGING 500 JOBS TO N. KENTUCKY

CTI Clinical Trial and Consulting Services opened its new headquarters facility in Covington on Oct. 25, a $36.4 million project that is expected to create up to 500 jobs.

CTI, a global, privately held company that provides therapeutic expertise to the pharmaceutical and biotechnology industries, relocated its headquarters from the Cincinnati suburb of Blue Ash, Ohio, to be closer to the region's urban center. The company is leasing approximately 125,000 s.f. in the RiverCenter II building in Covington. The relocation will help the company consolidate its locations and facilitate future growth.

CTI's new headquarters is located in Covington's RiverCenter II building.

"We felt strongly that we needed to move to a more urban setting in order to continue to recruit and retain the best people for our team that works tirelessly to bring life-changing therapies to critically ill patients around the world," said Timothy Schroeder, founder and CEO of CTI. "Covington offered us the best of both worlds, a great community with an urban, walkable environment."

Founded in 1999, CTI has become a global leader in clinical research, working with pharmaceutical and biotechnology companies to plan, manage and analyze clinical trials, a critical step in bringing new drugs, therapies and medical devices to market. The company focuses on treatments for critically ill patient populations, chronic diseases and unmet medical needs, including the areas of regenerative medicine, cell and gene therapy, rare disease, immunology, transplantation and oncology.

ERLANGER: FISCHER HOMES ACQUIRES LOUISVILLE-BASED DOGWOOD HOMES

Fischer Homes was founded in Northern Kentucky in 1980 and has since built more than 20,000 homes throughout Northern Kentucky, Ohio, Indiana and Georgia.

ERLANGER-based **Fischer Homes**, one of the largest homebuilders in the Northern Kentucky/Cincinnati region, is moving into the Louisville market with the purchase of the majority of the land assets of **Dogwood Homes**.

Dogwood Homes was founded 20 years ago and has become a top builder in the Louisville market. The company is set to deliver more than 200 homes in Louisville for 2017.

Fischer Homes is a privately held company that began in 1980 and now has more than 150 new-home neighborhoods throughout Northern Kentucky, Ohio, Indiana and Georgia with prices ranging from the $100s to more than $1 million.

"Since our first discussion, it became apparent we had a fit with the Fischer Homes culture and that they would be a great addition to what we are doing in the Louisville market," said Dogwood President Richard Miles. "Fischer is known for customer satisfaction and building communities that stand the test of time. This is the right fit for Dogwood Homes, and we know our customers will benefit from this deal."

Dogwood's staff will remain in place and Miles will begin working for Fischer Homes as market president for the company's new Louisville division, effective Jan. 1, 2018. The Louisville division will be building homes in Bullitt, Spencer, Oldham, Shelby and Jefferson counties.

Fischer Homes will be completing Dogwood Homes' construction management services beginning on Jan. 1 for any homes still under construction, and will also perform warranty services for Dogwood customers.

LOUISVILLE: $40M DISTRIBUTION CENTER BRINGING 550 JOBS TO METRO AREA

INGRAM Micro, a California-based provider of technology and supply chain products and services, plans to locate a $40 million distribution facility in the River Ridge Commerce Center in Jeffersonville, Indiana, that will bring 550 new jobs to the metro Louisville area.

The company is renovating a 590,000-s.f. facility that will serve as the company's newest third-party distribution center and expects to launch operations in early 2018, becoming fully operational by the summer.

The company plans to begin hiring at the beginning of the year for office, warehouse, supervisory and management positions at the facility.

Founded in 1979, Ingram Micro helps link the world's top technology manufacturers, including 1,700 vendors, to customers around the globe. The company's global operations include 154 logistics centers and 23 service centers that collectively cover 16.2 million s.f. in more than 50 countries on six continents.

BUSINESS BRIEFS

BOWLING GREEN

■ **Bilstein Cold Rolled Steel** has opened a new facility in Bowling Green's Kentucky Transpark that will create 110 new jobs. The new location will allow the German company to grow its North American footprint and serve a broad range or industries, including major players in the automotive and auto supply industries.

CRESTVIEW HILLS

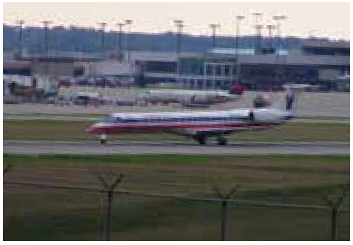
■ **St. Elizabeth Healthcare** has opened a new 12,000-s.f. addiction recovery facility in Crestview Hills. Created in conjunction with the **Hazelden Betty Ford Foundation**, the 12-step programming will focus on several addiction treatments, including alcohol, opioids, narcotics and more. The 12-member staff includes nurse practitioners, therapists and case managers and is expected to grow to approximately 32 within a year. The facility will work closely with the Kentucky Department of Drug Control Policy, **Kentucky Medicaid**, **Brighton Center**, **Transitions Inc.** and other community and state partners working to combat addiction.

DANVILLE

■ The **Danville-Boyle County Chamber of Commerce** is now offering a health insurance plan to small businesses in the area that employ two to 99 employees. By grouping small businesses together, the chamber has been able to create a larger pool of people and obtain less expensive rates with a choice of more than 16 plan designs.

EASTERN KENTUCKY

■ **Kentucky Power** has awarded a total of $37,000 in economic development grants to the **Pike County Fiscal Court** and the Lawrence County Court that have helped created nearly 100 new jobs. An $18,700 grant awarded to Pike County is being used to market job training and placement services at the **Pike County Teleworks** hub, while another $18,000 grant is being used to fund equipment for a new Teleworks hub in Lawrence County. Teleworks connects work-from-home employment opportunities with major employers like **Home Depot** and **U-Haul** with jobseekers in eastern Kentucky. As of early October, 90 people have gotten jobs through the Pike County hub and two have landed jobs through the Lawrence hub, with numbers expected to grow dramatically in the coming weeks.



ERLANGER

■ The **Cincinnati/Northern Kentucky International Airport** continues to set growth records, most recently celebrating three years of consecutive year-over-year growth. In August, local passenger traffic was up 30 percent, marking the third highest local passenger August volume in CVG's 70-year history. All scheduled carriers at CVG experienced double-digit year-over-year growth and over the last three years, originating passenger volume has grown 58 percent while airfares have decreased more than 30 percent. CVG also set an all-time record in terms of most cargo tonnage handled in one month, with 92,988 tons in August, an increase of 39 percent year-over-year.

■ **Obara Corp. USA** is adding 10,000-s.f. of manufacturing and warehouse space to its facility in Erlanger's Mineola Industrial Park to help meet increased demand for the company's line of resistance welding equipment. The project is being handled by Fort Mitchell-based **Paul Hemmer Co.**

FRANKFORT

■ **GoTRG**, an integrated omnichannel and supply chain solutions company, has invested $1.4 million to move its Frankfort operations to a larger warehouse. The expansion will create 90 new jobs.

BUSINESS BRIEFS

FRANKLIN

■ **Holley Performance Products Inc.**, a top name in automotive racing and performance parts manufacturing and marketing, has announced plans to open a 200,000-s.f. distribution operation in Franklin early next year. The new space is located approximately 20 miles from Holley's corporate headquarters in Bowling Green and will free up space in the Bowling Green facility that is needed for more manufacturing production.

HIGHLAND HEIGHTS

■ **Northern Kentucky University** is now offering "micro-credential" programs to help people achieve professional development milestones while working toward a graduate degree. Micro-credentials are mini-certificates in a specific topic area that demonstrate an achievement in a particular skill or set of skills and may also serve as stackable components toward an advanced degree. Any earned micro-credential in NKU's graduate courses may be applied to a graduate certificate or master's degree. NKU's micro-credentials are available in a variety of areas, including management, leadership, health, counseling, education, information technology and communications.

HOPKINSVILLE

■ **Superior Graphite** has broken ground for a new specialty carbon plant adjacent to one of its existing manufacturing facilities in Hopkinsville. The new plant will perform high-temperature purification of specialty carbons and graphites and is designed to meet the increased demand for synthetic and natural high-purity materials. The project is scheduled to be complete by the end of 2018, with production beginning in the first quarter of 2019. Once fully operational, the plant will employ 20 people, primarily in engineering.

LEXINGTON

■ The ***Lexington Herald Leader*** has signed a contract to sell its 174,447-s.f. building near downtown Lexington to **CRM Development** for an undisclosed price. The building, which sits on nearly three acres of land, has been for sale since June 2016 – listed for $8.5 million – when the newspaper announced that printing would be handled in Louisville. CRM hopes to create an upscale professional office building, but will need get approval to change the zoning from industrial to business development.

■ UK Healthcare's **Barnstable Brown Diabetes Center** celebrated a ribbon-cutting ceremony in October for a new clinic expansion at UK's Turfland location and its recognition by *U.S. News and World Report* as one of the top 50 facilities in the country for patient care in endocrinology and diabetes. The expansion will allow care for more patients with diabetes and related disorders at one consolidated location and will house on-site access to pharmacy and supplies, ophthalmology and optometry services, laboratory testing, ultrasound and radiology.

■ A long-delayed construction project in downtown Lexington may finally be moving forward, thanks to a new investor. Lexington-based **Greer Cos.**, a company that has operated more than 60 restaurants and has franchise agreements with several hotel chains, is now partnering with **The Webb Cos.** on the proposed **CentrePoint** project. The $200 million project is slated to include a 231-room **Marriott** hotel, a 120-suite **Residence Inn** and a 12-story office tower, as well as a 700-space underground parking garage. **Dinsmore & Shohl** has announced that its Lexington office will relocate from the **Lexington Financial Center** to the **Offices at CentrePoint**, where it will be the anchor tenant. The most recent timeline given by the Webb Cos. indicates that all of the towers on the site should be completed by the end of 2018, with openings projected for early 2019.

CARROLLTON: CABOT BREAKS GROUND ON $89 MILLION MANUFACTURING PLANT

The new Cabot Corp. plant in Carrollton will supply fumed silica for silicone products produced by DowDuPont.

Dow photo

A groundbreaking ceremony was held on Sept. 29 for **Cabot Corp.**'s new $89 million fumed silica plant in Carrollton, the company's first Kentucky location.

The new facility will be located adjacent to the **DowDuPont** plant, further strengthening what has become a cooperative relationship between the two companies. Cabot and Dow serve as both supplier and customer to each other and currently operate neighboring plants in Michigan and the United Kingdom. Silicone products manufactured by Dow are used by Cabot as a building block for producing fumed silica, an ultra-fine, high-purity particle used as a performance additive in a broad range of applications. Dow, in turn, uses Cabot's fumed silica in its silicone products and also utilizes a by-product from Cabot's production process in its operations.

CABOT

DOW

Dow, the world's largest supplier of silicone products, has operated its plant in Carrollton for 50 years. In addition to producing silicone products, the Carrollton plant also houses Dow's global dimethyl silicone research team, which works to improve manufacturing process for silicone-based products. The plant is currently undergoing a $9.5 million, 20-job expansion to add finishing lines and prepare property for the Cabot facility. Dow also operates sister plants in Elizabethtown and Louisville.

Cabot's new plant is expected to be operational in 2020 and will create 32 new jobs.

RUSSELLVILLE: LOGAN ALUMINUM OPENS PHASE 1 OF $407M EXPANSION PROJECT

LOGAN Aluminum held a ceremony on Oct. 26 to celebrate the completion of Phase 1 of its Logan County expansion project and the groundbreaking of the project's second phase.

Together, the expansions represent more than $407 million in new investments and will create some 250 full-time jobs at the southwest Kentucky mill.

Phase 1 involved the construction of a new 208,000-s.f. building that will expand the plant's recycling/new ingot casting capabilities. The project also increased the capacity of Logan's rolling mills, scalping and pre-heating operations and prepared the plant to manufacture thicker-gauge aluminum for other products, including automotive sheet. The first phase of the expansion is creating approximately 190 jobs.

The second phase is a $125 million, 65,000-s.f. cold rolling mill expected to create 60 full-time positions. The new mill will supplement existing cold rolling capacity by spring 2019. The expansion will add capacity for both beverage can stock and heavier-gauge rolled sheet use in automotive body and structural panels.

CORBIN: **SMART WOODS TO HIRE 90 FOR $15 MILLION MANUFACTURING PLANT**

Smart Woods' new Corbin facility will produce wooden coffee and ice cream sticks in a variety of sizes and lengths.

SMART Woods, a French company that produces ice-cream and coffee stir sticks, has opened a new $15 million facility in Corbin.

Formerly known as **Euro Sticks Group**, Smart Wood is a multigenerational family company that has facilities around the world. In Corbin, the company has built out an existing industrial building in the Southeast Kentucky Business Park to house the new operation and plans to operate the plant with a staff of 90.

The company was initially drawn to Corbin because of the area's large supply of beech trees. As a hardwood, beech wood is strong and has minimal odor or flavor, making it a preferred source for food-grade uses.

In addition to utilizing beech logs to manufacture ice cream and stir sticks in a variety of sizes, shapes and lengths, Smart Wood will also offer custom logo printing for clients.

Smart Wood operates facilities in Germany, the Czech Republic, Romania and Turkey, and has distribution facilities in Australia and Mexico. The company employs 750 people worldwide and produces more than 15 billion sticks annually. The Corbin plant will be capable of producing up to 2 billion sticks annually.

LOUISVILLE: **WOODFORD RESERVE SIGNS 5-YEAR DEAL TO SPONSOR KY DERBY**

IN what some might call a quintessential Kentucky pairing, **Woodford Reserve** bourbon has signed a five-year agreement to becoming the presenting sponsor of the **Kentucky Derby**.

Beginning with the 144th running of the Derby on May 5, 2018, at **Churchill Downs**, the event will be known as the Kentucky Derby Presented by Woodford Reserve. Financial details of the agreement have not been released.

The partnership between Churchill Downs and Woodford Reserve parent company **Brown-Forman** strengthens longstanding ties between the two institutions: The corporate headquarters of both are located in Louisville and their respective histories share similar timelines, with each founded in Louisville only a few years apart. Brown-Forman traces its history in the city to its founding in 1870, while the first Kentucky Derby was the highlight of the inaugural racing meet in 1875 at the **Louisville Jockey Club**, the racetrack that later became known as Churchill Downs.

In announcing Brown-Forman's new role as the presenting sponsor of the Kentucky Derby, Carstanjen thanked CDI's outgoing Kentucky Derby presenting sponsor, Louisville-based **Yum! Brands** for its partnership efforts.

"The creation of a presenting sponsor was an important step in the ongoing growth of the Kentucky Derby, and we deeply appreciate the support of Yum! Brands for more than a decade in that groundbreaking role," Carstanjen said.

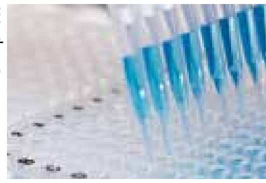
BUSINESS BRIEFS

LEXINGTON

■ **Valvoline Inc.** has completed its previously announced acquisition of 56 **Valvoline Instant Oil Change** franchise service centers from **Henley Bluewater LLC**. The Lexington-based company said the acquired locations will build on the infrastructure and talent base of the existing company-owned operations in northern Ohio and add company-owned locations in Michigan. The acquisition gives Valvoline a network of 439 company-owned locations.

■ Former **Ashland Inc.** Chair and CEO Paul Chellgren and his wife, Deborah, are giving more than $12 million to support the **University of Kentucky Chellgren Center for Undergraduate Excellence**. As a result of the gift, the Woodland Glen I residence hall at UK is being renamed Chellgren Hall. Chellgren, a 1964 graduate of UK, served 11 years on the UK board of trustees and was inducted into the **UK Gatton College of Business and Economics Hall of Fame** in 1995 and the UK Hall of Distinguished Alumni in 2000.

LOUISVILLE

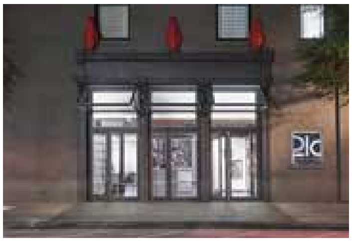


PGxL photo

■ **Prescient Medicine**, a Pennsylvania-based predictive health intelligence company, has acquired **PGxL Laboratories**, a pharmacogenetics testing lab headquartered in Louisville. In a statement announcing the news, Prescient said the acquisition of PGxL will enable the company to grow its relationship with local, regional and national health insurers, potentially offering patients better access to their suite of pharmacogenomics tools. Pharmacogenomic testing provides information on an individual's ability to process certain drugs based on their genetic makeup. Prescient recently introduced a new tool that assesses an individual's genetic risk of opioid addiction. **LifeKit Predict**, along with the company's other genetic tests, will be processed at the Louisville facility by the end of the year.

■ **ResCare Inc.**, a Louisville-based provider of health and human services, has announced plans to build a new $34 million headquarters facility in the ShelbyHurst Office Campus. The 140,000-s.f. building will open in fall 2018 and will house ResCare's 340 corporate employees in Louisville. ResCare has been headquartered in Louisville since 1974.

■ **Allegiant** is now offering nonstop flight service between Louisville and Phoenix/Mesa. The new service operates on Wednesdays and Saturdays.



■ Louisville-based **21c Museum Hotels** has once again received top honors in ***Conde Nast Traveler***'s annual Readers Choice Awards, with all seven of the company's hotels ranked among the top hotels in the world. Five 21c Museum Hotels were named as Top Hotels in the South, including **21c Lexington** (No. 6), **21c Nashville** (No 15), **21c Louisville** (No. 17), **21c Durham** (No. 22), and **21c Bentonville** (No. 37). **21c Cincinnati** and **21c Oklahoma City** earned the No. 5 and No. 25 spots respectively as the Top Hotels in the Midwest. The rankings are based on the quality of rooms, service, food and dining, location and overall design. More than 300,000 readers submitted ratings, voting on 7,320 hotels and resorts.

■ The U.S. Department of Veterans Affairs has signed off on the decision to build a new **VA hospital** in Louisville on a 35-acre parcel of farmland off Brownsboro Road. The government purchased the site five years ago from Jonathan Blue for $12.9 million but the project received much criticism due to a variety of factors, including traffic issues and environmental concerns. The VA, however, maintains that the Brownsboro site is the best location due to is proximity to the University of Louisville hospital and its overall central location. The new facility will replace the existing **Robley Rex VA Medical Center** on Zorn Avenue.

BUSINESS BRIEFS

LOUISVILLE

■ A $200 million project has been announced for 35 acres in Louisville's Butchertown area that will be anchored by a 10,000-seat soccer stadium, allowing Louisville to compete for a **Major League Soccer** franchise. The **Louisville City Football Club** will build the $50 million stadium and serve as developer of the overall project – which will include retail, a hotel and offices – by private investment. The project is expected to increase hotel, restaurant and retail amenities nearby and create a "stadium district" where the soccer stadium, **Louisville Slugger Field** and the **Yum! Center** are all within blocks of each other, along the same line of sight.

■ **Google Fiber** high-speed internet service is now up and running in three West Louisville neighborhoods. The mid-October launch came less than six months after the initial construction announcement, compared to years for the same implementation in other markets. Google representatives credited Louisville's "forward-thinking city government" for the quick build-out. Fiber 1,000 – the long-promised gigabit connection – is available at a cost of $70 per month; Fiber 100 is $50 per month.

MADISON COUNTY

■ **Novelis Aluminum Corp.** has donated $7,000 to support a new science, technology, engineering and mathematics (STEM) summer camp for high school students at **Eastern Kentucky University**. The camp, an initiative of EKU's College of Science, will be launched in the summer of 2018. Novelis also made an additional $5,000 donation to support recycling initiatives at EKU. Novelis' plant in Berea is one of the world's largest plants dedicated to aluminum can recycling.

MADISONVILLE

■ **Armstrong Coal Co.** has filed notice with the state that it plans to idle it Equality surface mine in Ohio County in December and reduce staffing numbers at its prep and dock facility, where it processes coal mined from multiple Armstrong mining operations. The decision will affect 61 mine employees and 49 prep and dock employees. Armstrong said the action was necessitated by market overproduction and a sustained depression in demand for the high-sulfur thermal coal produced by the Equality mine.

MURRAY

■ **Murray State University** held an official dedication ceremony on Oct. 27 for its new 81,000-s.f. engineering and physics building. The new facility, which opened this past August, features a high-bay engineering systems laboratory, a rapid prototyping center and various engineering and physics laboratories, such as thermal fluids, circuits and electronics, electricity and magnetism, mechanics and optics. The facility also houses the Dr. Gary W. Boggess Science Resource Center, which provides students with computer labs, presentation studios, interview rooms and instructional media support areas.

SPARTA

■ The **Neeley Family Distillery** in Sparta has become the 35th member of the Kentucky Distillers' Association. The distillery and visitor center, which opened in July on a lot adjacent to the **Kentucky Speedway**, showcases 11 generations of Neeley distilling with family photographs and artifacts, including a 100-year-old family still from the mountains of Eastern Kentucky.

NORTHERN KY: 3 DUKE ENERGY GRANTS FUND URBAN REVITALIZATION PROJECTS

THREE Northern Kentucky projects have been awarded funding from **Duke Energy** that will help fund urban revitalization efforts.

The **Catalytic Development Funding Corp.** of Northern Kentucky, a private, not-for-profit organization that provides financing assistance and related services for developers of residential and commercial real estate projects in Northern Kentucky, has been awarded grants for three projects:

• A $51,300 grant will be used to help convert a historic building in Dayton from residential back to mixed use. Once the renovation is complete, the building will house a coffee shop and event space, and will be used by an area artist collective as added capacity for its existing events. In addition to repurposing the property, the Catalytic Fund hopes the work encourages surrounding property owners to invest in their own properties as well.

• A $50,000 grant will be used to convert a former self-storage building in Covington into the headquarters of **Road ID**, a local family-owned business that manufactures custom products to help first responders identify people in case of an emergency. Once renovations are complete, the building will house Road ID's office, manufacturing, assembly and warehousing space. In addition to the company's 42 full-time and 60 part-time and seasonal employees, Road ID expects to hire 30 full-time and 30 part-time employees over the next five years.

• An $18,200 grant will help the **Incubator Kitchen Collective** expand its kitchen facility so that it can increase occupancy and output. IKC is a nonprofit in Newport that helps area food entrepreneurs and startups get started. To date, IKC has helped more than 50 small businesses grow and create jobs. The Catalytic Fund is working with IKC to expand its kitchen facility so the group can increase occupancy and output to create direct and indirect jobs.

Road ID photo

Road ID, a family-owned company based in Erlanger, has received a $50,000 grant to convert this former self-storage building in Covington into their new headquarters facility.

BARREN COUNTY: FROEDGE MACHINE TO ADD NEW FACILITY, JOBS IN GLASGOW

FROEDGE Machine and Supply Co. Inc. is investing $690,000 to locate a new operation in Barren County.

The company will maintain its headquarters in Tompkinsville and locate its new facility in a 6,300-s.f. former machine shop just outside the Glasgow city limits on U.S. 68. The new building will provide the additional space needed to expand the company's computer numerical control (CNC) machine work and create more opportunities for future growth. The new location also provides easy access to the important I-65 corridor, a significant factor for the company in pursuing new customers.

Froedge was originally established in 1962 as a machining and watch repair shop and has since grown into a repair business that specializes in CNC machining, drilling, boring, cutting and honing, surface grinding, welding lathe, millwork, tool and die, and lumber handling.

The company plans to add 12 full-time jobs in connection with the expansion.

HAWESVILLE: **$179M CHEMICAL PLANT TO LOCATE IN FORMER ALCOA FACILITY**

WHITE Rock Pigments Inc. has announced plans to locate a $179 million chemical manufacturing plant near Hawesville that will create 124 full-time jobs.

WRP uses a propriety eco-friendly process to manufacture chemicals from a variety of feedstocks.

The Ohio-based company is renovating a 305,000-s.f. space that sits on 65 acres just northwest of Hawesville. The facility previously housed **Alcoa** operations and has been vacant for the past nine years. Work to rehab and up-fit the building and property is expected to begin in early 2018, with a plant opening planned for April 2020.

"The addition of White Rock Pigments is a tremendous asset to Hancock County by providing 124 new great paying jobs, along with the diversification of our manufacturing industry," said Hancock County Judge-Executive Jack McCaslin. "Their revitalization of the old vacant Alcoa building to house the company is just another benefit they bring to our community."

<<

We want to know what's going on at your company! If you have news to share with Kentucky's business community, please forward your press releases and photos/logos/graphics to editorial@lanereport.com. In order to reproduce well, images must be large enough to publish in high resolution (300 dpi).

>>

BUSINESS BRIEFS

WESTERN KENTUCKY

■ The **Delta Regional Authority** is investing $1.7 million in six projects in Western Kentucky with the goal of strengthening the region's infrastructure, workforce and economy. Included in the project list are: improvements to a water treatment plant in Henderson ($281,133); improvements to the **Trigg County Hospital** ($155,550); improvements to the **Riverport** cargo yard in Paducah ($427,000); a lineman training program at **Madisonville Community College** ($313,676); and wastewater infrastructure improvements in Hickman ($400,000) and Greenville ($400,000). Kentucky is one of eight states to receive funding from the DRA.

WINCHESTER

■ Laura Freeman, founder and former CEO of **Laura's Lean Beef**, has launched several new farm ventures after taking a 10-year hiatus following the sale of her company to **Meyer Natural Foods** in 2008. Freeman is now growing hemp on her Mount Folly Farm in Winchester as the key ingredient in **Laura's Hemp Chocolates** along with organic, non-GMO heritage grains that are used for cornmeal and will also serve as the basis for whiskey produced at Freeman's **Wildcat Willy's Distillery** in downtown Winchester (scheduled to open next spring). Freeman is selling products locally and through her online retail store, **Laura's Mercantile**.

STATE

■ The **Kentucky Division of Air Quality** is receiving national recognition for developing a labor-saving tool for anticipating potential industrial air emissions. Created by Kentucky DAQ engineers and dubbed the Pollutants of Concern (POC) Table, the new process has received a Best Practices Award from the Association of Air Pollution Control Agencies and is attracting attention from air agencies across the country. The new approach utilizes **Microsoft Excel** and **Visual Basic** to enable air quality engineers to calculate potential emissions accurately and consistently in a fraction of the time previously required.

BUSINESS BRIEFS

INDIANA

■ **Anthem Inc.**, an Indianapolis-based company that is one of the nation's largest health benefits companies, has formed a new pharmacy benefits manager to be named **IngenioRx**. Anthem has signed a five-year agreement with **CVS Health** for services beginning Jan. 1, 2020. IngenioRx, which will serve both Anthem and non-Anthem customers, will combine its initiatives with CVS' expertise in point-of-sale engagement, such as member messaging and **Minute Clinic**. CVS will also provide prescription fulfillment and claims processing services.

■ **Fort Wayne Metals** plans to add up to 337 new jobs to support an expansion of its Fort Wayne operations. The project will increase the company's production capacity for precision wire and wire-based components for the medical device industry. Fort Wayne Metals currently employs more than 800 full-time employees at production facilities in Fort Wayne and Columbia City, Indiana.

■ **KAR Auction Services** is developing a new 13-acre corporate headquarters and campus in Carmel, Indiana, that will provide space for an additional 400 jobs. The company, which provides technology-driven solutions to used-vehicle buyers and sellers across the world, is investing $80 million in the expansion project and anticipates moving into the new headquarters by the end of 2019. The company currently employs approximately 900 associates at its Carmel headquarters.

■ **Fuzic**, a music-focused marketing tech company, is expanding its operations near Indianapolis to support the development of its software as a service-based marketing platform that enables companies to centrally control music, messaging and advertising to any degree of personalization in their stores. The Indiana-based company has grown rapidly since its launch in January 2016, with hundreds of organizations around the world adopting its platform, ranging from small companies to large organizations with thousands of locations. Fuzic's expansion is expected to create up to 255 jobs by 2020.

OHIO

■ **Amazon** has announced plans to open its fifth Ohio fulfillment center in Euclid, creating more than 1,000 full-time positions. The company recently announced upcoming fulfillment centers in Monroe and North Randall, and it currently operates fulfillment centers in Etna and Obetz that employ more than 6,000 workers.

■ **Nexen Tire**, a South Korea-based tire manufacturer, is building a $5 million Americas technology center in Richfield, Ohio, near Akron. The center will focus on technologies for the development of cutting-edge and eco-friendly tires for both the original equipment and replacement markets.

TENNESSEE

■ German manufacturer **Hörmann** is investing nearly $64 million to establish a manufacturing facility in Sparta, Tennessee, that will produce residential and commercial sectional garage doors. The company plans to hire 200 employees for the new 350,000-s.f. facility, which is expected to be operational by mid-2019.

■ Flooring manufacturer **Shaw Industries Group** is investing $42 million to upgrade its yarn facility in Decatur, Tennessee. The upgrade will enable the company to use both nylon and polyester fibers at the facility, which supplies yarn for the company's carpet manufacturing locations. The project will add 75 new jobs to the plant's existing 370-member staff.

TENNESSEE: $1B DENSO EXPANSION WILL BRING 1,000 NEW JOBS TO MARYVILLE

AUTOMOTIVE supplier **DENSO** is investing $1 billion to make its Maryville, Tennessee, facility a primary manufacturing center in North America for electrification and safety systems. The expansion is expected to create approximately 1,000 new jobs.

DENSO's Maryville plant produces a wide range of electronic components for the automotive industry.

With its global headquarters in Japan, DENSO has had a presence in Tennessee for nearly three decades and is Blount County's largest employer. The company has two locations in the state – Maryville and Athens – and employs roughly 4,500 people. The Maryville campus, which is DENSO's largest U.S. manufacturing facility, consists of four manufacturing plants on 194 acres.

DENSO's Maryville plant produces starters, alternators, instrument clusters, safety products and a wide range of electronic components and systems for the automotive industry. The upcoming project will expand multiple production lines to produce advanced safety, connectivity and electrification products for hybrid and electric vehicles. The new products are expected to radically improve fuel efficiency and preserve electric power by recovering and recycling energy, and by connecting all systems and products inside the vehicles.

OHIO: FIFTH THIRD INTRODUCES AN APP TO PAY OFF STUDENT LOANS FASTER

CINCINNATI-based **Fifth Third Bank** has introduced a new app to help college graduates pay off student loans faster by automating frequent micropayments toward their student loan account.

Fifth Third Bank customers with a Fifth Third debit card can link student loans held by over 30 different servicers – both public and private – to the app. Once the loan is connected, customers can choose to round their debit card purchases up to the next dollar or add one dollar to every purchase. Either way, the extra amount is applied to the balance on the designated loan on a weekly basis once a minimum of five dollars in round ups is achieved.

According to data from the **Federal Reserve Bank of New York**, student loan debt totaled $1.3 trillion in 2016. That level of debt is, in turn, impacting the economy at large as graduates delay buying a home and the subsequent purchases associated with home-buying, such as furniture and appliances. Student-loan payments are also preventing many young workers from starting retirement savings accounts, contributing to a widening generational wealth gap.

Fifth Third estimates that customers who round up $25 a month using the app could pay off a 20-year loan three years sooner and pay 8 percent less in total by avoiding interest that would have accumulated. The program also allows family members to use the app.

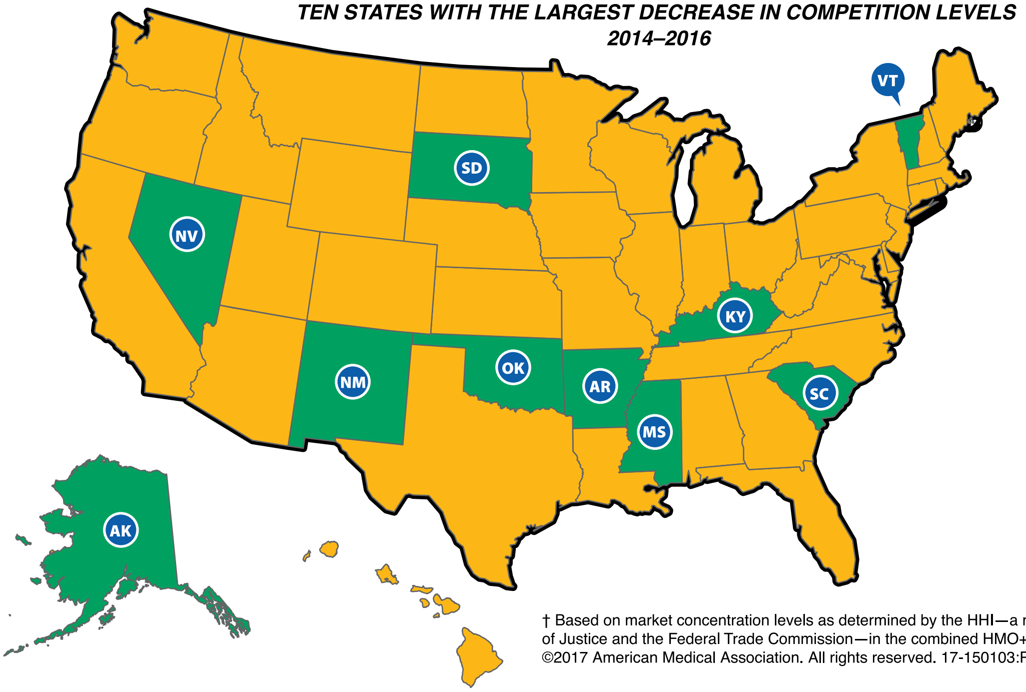
KENTUCKY INTELLIGENCER®

A sampling of business and economic data

COMPETITION IN THE HEALTHCARE MARKET

An analysis of competition in health insurance markets across the United States found that Kentucky had the nation's most dramatic decline in terms of health insurer competition. The study, conducted by the American Medical Association, noted that areas with lower competition "become ripe for the exercise of health insurer market power, which harms patients by raising premiums above competitive levels."

TEN STATES WITH THE LARGEST DECREASE IN COMPETITION LEVELS 2014–2016



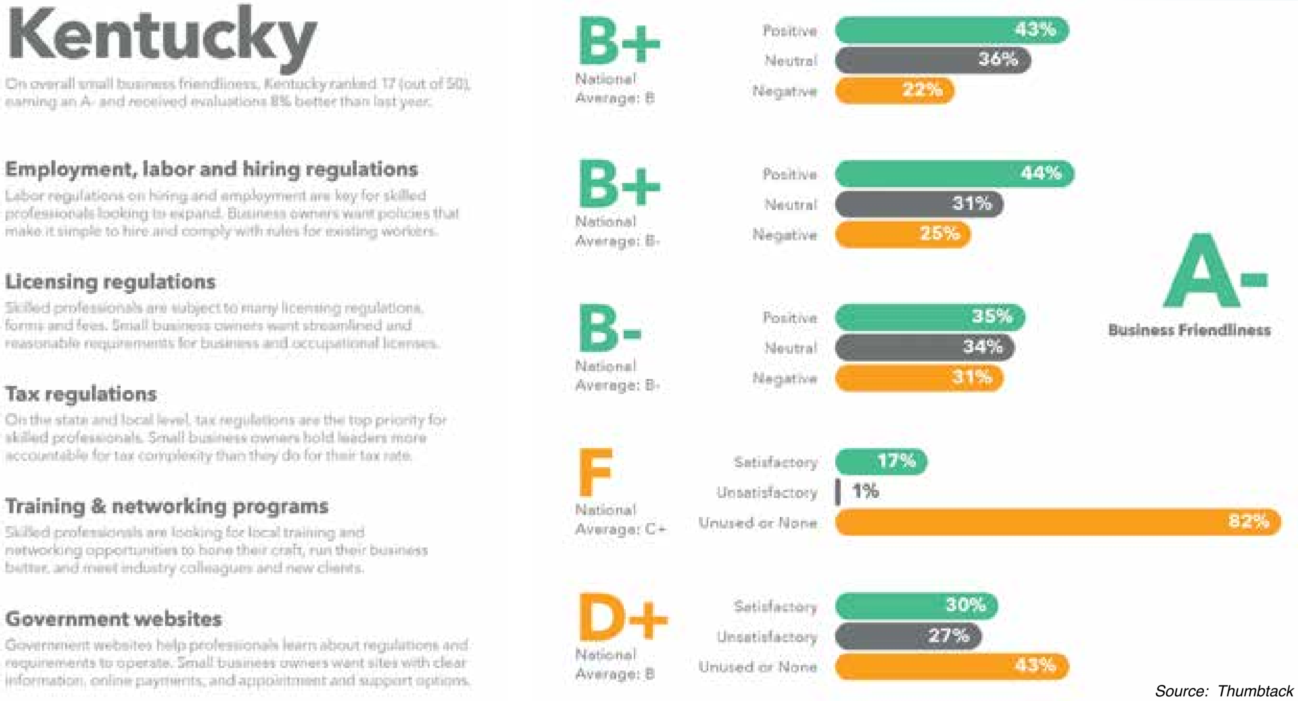
1. Kentucky
2. Alaska
3. South Carolina
4. Mississippi
5. South Dakota
6. Oklahoma
7. Vermont
8. Arkansas
9. Nevada
10. New Mexico

† Based on market concentration levels as determined by the HHI—a measure used by the U.S. Department of Justice and the Federal Trade Commission—in the combined HMO+PPO+POS+EXCH market.

Source: American Medical Association

KENTUCKY EARNS AN 'A' FROM SMALL-BUSINESS OWNERS

Kentucky is a great place for small-business owners according to the results of the 2017 Small Business Friendliness Survey, a survey of more than 13,000 small-business owners in 50 states. The survey asked respondents to evaluate how easy state and local governments make it to start, operate and grow a small business, grading issues such as licensing requirements, tax regulations, health and safety rules, and labor regulations. The Bluegrass State ranked 17th, earning an A-, and saw its evaluations improve 8 percent over last year.



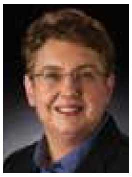
Source: Thumbtack

CORPORATE MOVES

New leadership for Kentucky businesses

ACCOUNTING

■ **Erica L. Horn** has joined Dean Dorton Allen Ford PLLC as associate director of tax services.



Erica Horn

ARTS

■ **Diane Boyer** has joined Lexington arts advocacy organization LexArts as director of major gifts.

BANKING/FINANCE

■ **Diana Quesada** has joined Paducah Bank as vice president and commercial relationship manager in Louisville.

■ Lexington-based Central Bank has promoted **Jordan Owens** and **Stephen Mallory** to the position of vice president, commercial mortgage lending.

■ **Russell Gray** has been promoted to vice president-credit for Central Kentucky Ag Credit. **Shane Turner** has been named to the newly created position of vice president and chief risk officer for the company.

Russell Gray

Shane Turner

■ **Anna Berlekamp** has been promoted to assistant vice president/workplace banking specialist for Paducah Bank. **Marra McMillan** has been promoted to assistant vice president/private banking relationship manager for the bank.

■ **Eric Walker** has been promoted to commercial team manager for US Bank's South Central Kentucky region.

ECONOMIC DEVELOPMENT

■ **Matthew Tackett** has been named president and chief executive officer of the Kentucky Association for Economic Development.

■ **Terry Sweeney** has been named as the first president and chief executive officer of the Downtown Lexington Partnership.

■ **James Iacocca** has been named as the first president and chief executive officer of the Knox Regional Development Alliance.

■ **Morgan Pierstorff** has been named executive director of the Kentucky Cabinet for Economic Development's European Representative Office, headquartered in Hamburg, Germany. Kentucky's European Representative Office is responsible for the commonwealth's economic development and marketing activities in Europe.

EDUCATION

■ **Barry Barnett** has been named chair of the University of Kentucky's Department of Agricultural Economics.

Barry Barnett

■ **Maria Valentin-Welch** has been named chief diversity and inclusion officer for Frontier Nursing University.

■ **Rebecca McCulley** has been named chair of the University of Kentucky Department of Plant and Soil Sciences.

Rebecca McCulley

■ **Kristin Ashford** has been promoted to associate dean of undergraduate faculty and interprofessional education for the University of Kentucky College of Nursing. **Sheila Melander** has been promoted to associate dean of MSN & DNP faculty and practice affairs.

FOOD/SPIRITS/HOSPITALITY

■ **Lawson Whiting** has been promoted to chief operating officer of Louisville-based Brown-Forman.

■ **Juan Merizalde Carrillo** has been named distillery manager for the Old Forester Distillery in Louisville.

GOVERNMENT

■ **Gwen R. Pinson** has been named executive director of the Kentucky Public Service Commission.

■ **Daniel Zalla** has been named circuit judge for Kentucky's 17th judicial circuit, division 2. Zalla replaces **Fred Stine**, who retired in August.

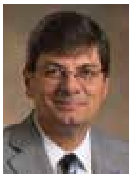
■ **Cody Patterson** has been name director of communications for the Kentucky Tourism, Arts and Heritage Cabinet.

HEALTHCARE

■ **Gerard "Ger" Colman** has been named chief executive officer of Louisville-based Baptist Health. Colman comes to the position from Wisconsin, where he was chief operating officer of Aurora Health Care, the state's largest private employer and healthcare system.

Ger Colman

■ **Bruce Tassin** has been named as the new chief executive officer for KentuckyOne Health, leading the Kentucky-based operations of the recently expanded Southeast Operating Division for Catholic Health Initiatives. Tassin will continue in his role as president of Saint Joseph Hospital in Lexington.



Kennan Wethington

INSURANCE

■ **Kennan Wethington** has been named president of Anthem Blue Cross and Blue Shield in Kentucky. Wethington succeeds **Deb Moessner**, who is retiring.

Kennan Wethington

■ Delta Dental of Kentucky has named **J. Jude Thompson** as chief executive officer.

■ **Patrick Workman** has joined AssuredPartners NL as a senior account executive in the Lexington office.

DEPARTURES

■ **Les Waters** is stepping down as artistic director of Actors Theatre of Louisville at the end of the 2017-2018 season to pursue personal projects.

LEGAL

■ **Douglas Hawkins** has joined the Lexington law firm of Walter C. Cox Jr. & Associates.

PHILANTHROPY

■ **Walter D. Woods** has been appointed chief executive officer of The Humana Foundation, the philanthropic arm of Humana Inc.

■ **Keisha Deonarine** has been named executive director of the Passport Health Plan Foundation Inc.

PUBLIC RELATIONS/MARKETING

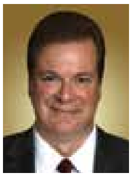
■ **Roy A. Potts** has joined Capital Link Consultants, a Frankfort public relations firm.

RESEARCH AND DEVELOPMENT

■ **Pam Platt** has been appointed as chief storyteller for The Exomedicine Institute in Lexington.

TECHNOLOGY

■ **Richard "Rich" Geruson** has been named president and chief executive officer of Lexington-based Lexmark International.



Rich Geruson

■ **Brian J. Robinson** has been named chief executive officer of Hebron-based Pomeroy. Robinson succeeds **Christopher C. Froman**, who will become executive chairman of the board of directors.

TOURISM/MEETINGS/CONVENTIONS

■ **Beth Noffsinger** has been named public relations manager for the Bowling Green Area Convention & Visitors Bureau.

Beth Noffsinger

OTHER

■ **Jim Henderson** has been named deputy director of the Kentucky Association of Counties.

■ **Rob Hench** has been promoted to chief operating officer of Lexington-based GRW Aerial Surveys.

Rob Hench

■ **Gene Hutchins** has been named as the new executive director and chief executive officer of the Kentucky Higher Education Assistance Authority/Kentucky Higher Education Student Loan Corp. Hutchins succeeds **Carl Rollins**, who is retiring Dec. 31.

■ **Dan Ferguson** has been named vice president of beverage alcohol solutions for Vistaar Technologies Inc., a provider of pricing and promotion software for the beverage alcohol industry. Ferguson will be based out of Louisville.

ON THE BOARDS

Kentuckians named to organizational leadership roles

AIRPORTS COUNCIL INTERNATIONAL – NORTH AMERICA

■ **Candace McGraw**, chief executive officer of the Cincinnati/Northern Kentucky International Airport, has been named chair of the Airports Council International – North America, a trade association representing commercial airports in North America.

Candace McGraw

AMERICAN ECONOMICS ASSOCIATION

Ken Troske

■ **Ken Troske** has been appointed to serve on the American Economics Association's committee on government relations. Troske is associate dean for graduate programs and outreach and the Richard W. and Janis H. Furst Endowed Chair of Economics in the Gatton College of Business and Economics at the University of Kentucky.

BIG BROTHERS BIG SISTERS

■ The following individuals have been appointed to the Big Leadership Team, the junior board of Big Brothers Big Sisters of Kentuckiana: **Jordan St. John**, **Doug Saforo**, **Laura Hewitt**, **Fay Zimlich**, **Kathryn Beck** and **Jason Hesketh**.

Jordan St. John

Doug Saforo

Laura Hewitt

Fay Zimlich

Kathryn Beck

Jason Hesketh

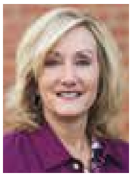
CENTRAL KENTUCKY AG CREDIT

■ **Dan Grigson** has been appointed to the Central Kentucky Ag Credit board of directors.

CENTRAL KENTUCKY COMMUNITY FOUNDATION

■ **Chris Carter** and **Jamie Sizemore** have joined the board of directors of the Central Kentucky Community Foundation, which serves Breckinridge, Grayson, Hardin, Hart, LaRue, Marion, Meade, Nelson and Washington counties. Carter is a CPA and shareholder in the Elizabethtown CPA firm of Stiles, Carter and Associates. Sizemore is publisher of *The Kentucky Standard* newspaper in Nelson County.

Chris Carter



Jamie Sizemore

FISH AND WILDLIFE RESOURCES COMMISSION

■ **Kenny L. Knott** has been appointed to the Fish and Wildlife Resources Commission. Knott, of Glasgow, is a wood procurement manager at Roy Anderson Lumber Co. in Tompkinsville.

GREATER LOUISVILLE FOUNDATION INC.

■ **Charles "Chuck" Denny** has been appointed to the board of directors of the Greater Louisville Foundation Inc. Denny is regional president and CEO of PNC Bank. **John R. Crockett**, chairman of the law firm of Frost Brown Todd, has been appointed secretary of the Foundation.

KENTUCKY AGRICULTURAL DEVELOPMENT BOARD

■ **John Fritz Giesecke** and **Katie L. Moyer** have been appointed to the Agricultural Development Board. Giesecke, of Horse Cave, is a farmer. Moyer, of Dawson Springs, is an agribusiness representative.

KENTUCKY AGRICULTURAL FINANCE CORP.

■ **Tonya Dee Phillips**, **Frank Penn**, **Larry Brown Jaggers** and **Kenneth Burdine** have been appointed to the board of directors of the Kentucky Agricultural Finance Corp. Phillips, of Maysville, is a teacher. Penn, of Lexington, is a farmer. Jagger, of Glendale, is a dairy farmer. Burdine, of Nicholasville, is an extension livestock economist.

KENTUCKY BOARD OF DENTISTRY

■ **Bradley Todd Fulkerson** has been appointed to the Kentucky Board of Dentistry. Fulkerson, of Henderson, is a pediatric dentist.

KENTUCKY BOARD OF LICENSURE FOR OCCUPATIONAL THERAPY

■ **Harold Eugene Corder II**, **Amanda Spears** and **Hugh Stroth** have been appointed to the Kentucky Board of Licensure for Occupational Therapy. Corder, of Science Hill, is an independent contractor. Spears, of Harold, is an occupational therapist at Pikeville Medical Center. Stroth, of Louisville, is retired.

KENTUCKY BOARD OF MEDICAL LICENSURE

■ **Sandra Shuffett** and **William "Duncan" Crosby III** have been appointed to the Kentucky Board of Medical Licensure. Shuffett, of Nicholasville, is a physician with Baptist Health Lexington. Crosby, of Louisville, is an attorney with Stoll Keenon Ogden PLLC.

KENTUCKY CENTER FOR THE ARTS

■ **Tierra Kavanaugh Turner**, **Scott Flynn**, **Donna Hall**, **Christopher Todoroff** and **Sandra Frazier** have been appointed to the board of directors of the Kentucky Center for the Arts. Turner, of Louisville, is owner and CEO of TKT & Associates Inc. Flynn, of Anchorage, is a CPA. Hall, of Lexington, is retired. Frazier, of Louisville, is the managing member of Tandem Public Relations.

KENTUCKY EMERGENCY RESPONSE COMMISSION

■ The following individuals have been appointed to the Kentucky Emergency Response Commission, which is charged with developing policies related to the response of state and local governments to releases of hazardous substances and developing standards of planning for such events: **Joe Allen Carpenter**, Springfield; **Jarred Ball**, McKee; **Rebecca Gillis**, Frankfort; **Dana Jenkins**, Pleasureville; **Mike Haney**, Lawrenceburg; **Brian Houillion**, Frankfort; **Charles Robert Smith**, Prospect; **Edward J. Meiman III**, Louisville; **James Bradford Schwandt**, Louisville; **Michael Blaine Hedges**, Frankfort; **Chris Skates**, Lawrenceburg; **Steven Long**, Versailles; **Larry Christopher Taylor**, Versailles; **McKenzie Benkner**, Somerset; **Justin Cooper**, Fordsville; Lt. Gov. **Jenean Hampton**, Frankfort; **Michael Dossett**, Louisville; **Henry Bertram**, Falmouth; **Gregg Martin Bayer**, Georgetown; **Richard Payne**, Owensboro; **Ronnie Lee Day**, Morehead; **Joseph Michael Bosse**, Corydon; **Douglas Tackett**, Pikeville; **Ryan Martin Halloran**, Frankfort; and **Michael Alan Jones**, Lawrenceburg.

KENTUCKY LEAGUE OF CITIES

■ The Kentucky League of Cities has announced its 2017-2018 officers and board of directors: President – Mayor **Jim Barnes**, Richmond; First Vice President – Mayor **Teresa Rochetti-Cantrell**, Mayfield; Second Vice President – Mayor **Bill Dieruf**, Jeffersontown; Executive Director/CEO – **Jonathan Steiner**; Immediate Past President – Mayor **Claude Christensen**, Sadieville; Executive Board Members: Mayor **Steve Austin**, Henderson; Mayor **David Jackson**, Madisonville; Mayor **Eddie Girdler**, Somerset; Councilmember **Marty Fulkerson**, Elizabethtown; Mayor **Dan Bell**, Taylor Mill; Mayor **Brian Traugott**, Versailles; Mayor **Troy Rudder**, London; Mayor **Martin Voiers**, Flemingsburg; Commissioner **Pamela Smith-Wright**, Owensboro; Mayor **Michael Hughes**, Auburn; Mayor **Jan Yonts**, Greenville; City Attorney **W. Scott Crabtree**, Franklin; and City Administrator **Tim Williams**, Crestview Hills.

LOUISVILLE REGIONAL AIRPORT AUTHORITY

■ Louisville entrepreneur **Pat MacDonald** has been appointed to serve on the board of directors of the Louisville Regional Airport Authority.

UNITED WAY OF THE BLUEGRASS

■ **John Pollom** has been elected to the board of directors of United Way of the Bluegrass. Pollom is an attorney with the law firm of Stites & Harbison in Lexington, where he is a member of the business litigation service group.

John Pollom

VETERANS' PROGRAM TRUST FUND

■ The following individuals have been named to serve on the board of directors of the Veterans' Program Trust Fund: **Randall Allen Fisher**, Paris; **Donald Wayne Helton**, Peewee Valley; **Carla Ann Raiser**, Georgetown; **Michael Blaine Hedges**, Frankfort; **Joseph Doebler**, Louisville; **David Carrier Jarrett**, Elizabethtown; **Carl Joseph Kaelin**, Leitchfield; and **Carlos Pugh**, Frankfort.

John R. Farris
John R. Farris is founder and president of Commonwealth Economics, chairman of the board of trustees of Kentucky Retirement System, and founder and manager of the Commonwealth Infrastructure Fund and LandFund Partners. He was an economist at the Center for Economics Research at the Research Triangle Institute in North Carolina and was a senior economics consultant with the World Bank and International Finance Corp. From 2006-2007, Farris was secretary of the Kentucky Finance and Administration Cabinet. He is on the board of directors for GreenBrick Partners, Kentucky Technology Inc., Kentucky Employers' Mutual Insurance, and LandFund Partners LP. He is also senior investment advisor to the Centre College Endowment. He has a bachelor's in economics and philosophy from Centre College and a master's in economics and public policy from Princeton University. Farris was born and raised in Louisville and lives in Lexington with his wife, Rebecca, and their three daughters.

FINDING CREATIVE SOLUTIONS TO KENTUCKY'S FINANCIAL DILEMMAS

Working complex financial puzzles like TIFs and P3 funding is a passion for KRS Board Chair John Farris

BY MARK GREEN

Mark Green: How did you first become involved in financial jobs in public life? Is finance involving public systems and/or projects a personal passion?
John Farris: My first job out of graduate school at Princeton was at the World Bank. I followed a professor there to analyze the qualitative effectiveness of major infrastructure projects funded by the bank. I measured the impacts that large-scale infrastructure projects such as bridges, roads, dams can have on overall quality of life. Seeing the impact on people lives was inspirational. Almost immediately, I became passionate about understanding how to piece together the financing of large infrastructure and economic development projects to positively impact the quality of life in the country, state and local community. When I was asked by Gov. Ernie Fletcher to be finance and administration secretary, I carried this passion back to Kentucky and immediately went to work on infrastructure programs and projects for the commonwealth. I love figuring out a way to get involved in designing and financing better bridges, roads, schools, stadiums, dorms and many other projects. That is why I became interested in the state pension system; if our deficit keeps growing, not only we will have a tough time meeting our obligations to the people in the system, we will also crowd out all the necessary infrastructure spending for our state.

MG: If the proposals to shift from pensions to a defined-contribution system are enacted along with other changes to the systems, how long will it take to get the Kentucky pension system not necessarily fully funded but back onto a sound footing?
JF: That is a good question but let me start by saying that the only way to know the time frame for a solution is to not to make the problem worse than it is now. We are in a $60 billion hole. In 2007 that number was less than $10 billion. Each year we do nothing, the problem grows exponentially. The real key when you are in a big hole is to stop digging. If we switch to the proposed "defined contribution" plan and a "level dollar" payment plan, we have made the first real steps to a solution because the hole will not keep growing – with the proposed plan we are putting away the shovels. And under the proposed plan we are going to use level-dollar payment and pay our pension debt much like a mortgage over 30 years. That is a long-winded way to say, if we pass the proposed plan, we will immediately be on the right path and we will pay our accumulated liability off over 30 years.

MG: Are there parts of the pension reforms package you advocate most strongly, or think are the most crucial or beneficial?
JF: There are many good parts to the proposal in my opinion, but the two I think are most crucial are the "defined contribution" for new employees and the level-dollar plan. Let me talk just a minute about why using a "level dollar plan" instead of our current "percentage of payroll" payment plan is so very important.

When I became chair of KRS, I dug into the actuarial assumptions on payroll growth and realized they were ridiculously high. Why does that matter? When you use a "percentage of payroll" payment plan, the system makes funding payments based on a percentage of payroll, and your assumptions on future payroll really matter. For the last 10 years before I joined, the previous KRS board assumed payroll would grow at 4 percent a year compounded for the next 30 years, but payroll growth was actually close to zero or negative in most years. This is a big part of our current pension deficit problem. Imagine being allowed to pay less on your mortgage today because the lender believes that you will make more money in the future. Our pension funding system was similar to a lender setting your mortgage payment amount this year to be a lot less than in the future years because they think you will have 4 percent compounded income growth every year over the next 30 years. But then what if your income didn't grow and now isn't expected to grow in the future – you would be in serious trouble. That is exactly what has happened to the Kentucky pension systems. We expected payroll to grow 4 percent when it was obviously zero or negative. By switching to a "level dollar plan," expected payroll growth is not in the equation. We will be paying the same amount each year much like a regular mortgage. Incorrect and overly aggressive assumptions on payroll growth made by the prior pension boards are a major part of the reason we are $60 billion in the hole. I applaud the governor and legislature for proposing a plan that takes a lot of the guess work out of knowing what we really owe. We will pay our bill each year much like a taxpayer pays their mortgage each month – no funny math to get out of it.

MG: The proposed pension reform has multiple elements. Is it essential that all of them are part of a final bill passed by the General Assembly?
JF: I think the Bevin administration designed this proposed reform in its entirety so that the commonwealth can meet our future obligations to current employees and retirees. As chair of Ken-

tucky Retirement System, I have a fiduciary responsibility to both the pensioners and taxpayers to look at the proposed reforms from that lens. If you start picking away at it, I think we will have a harder time meeting our obligations.

MG: Part of the pension funding problem is that investment returns since the Great Recession have fallen short of expectations. Do you expect interest rates and investment returns to shift back toward the averages of the past 100 years anytime soon?

JF: Yes, that is also part of the problem. But we do not have the luxury or challenge at KRS to make our assumptions based on 100 years. It is hard enough figuring out what will happen in the next 30 years. In the history of mankind, investing in a stock market is a relatively new thing. We don't have thousands of years of history to look at trends like we do with the hard sciences, such as geology. We have 100 years or 150 years at best as our "investing" sample set, and in that sample set the best predictor for forward risk-adjusted returns is to look at the 30-year U.S. Treasury bond and forecast some risk-premium for risk assets for the next 30 years based on that indicator. The current 30-year T-bill sits around 3 percent, so based on that I am comfortable assuming 6 or 6.5 percent returns for a portfolio right now. If the 30-year was at historical norms of above 5 percent, I could get comfortable with historical norms on portfolio returns of 7.5 or 8 percent, but that is just not where we are right now.

MG: As chair of the KRS board, what involvement do you have in guiding investment of the system's billions of dollars in assets? Is there a rule of thumb for how asset investments are allotted, or does the distribution shift as market conditions change?

JF: We have a great investment committee. Gov. Bevin appointed four new members to the investment committee, including three chartered financial analysts (CFA) and one certified public accountant (CPA). These new members, combined, have 112 years of experience in investment management – an average of 28 years. The previous investment committee did not have one single investment professional. The first thing our new committee did was streamline overall investment policy into three major asset allocations: equities, 45 percent; debt, 30 percent; and diversified strategies, 25 percent. Then we terminated 27 underperforming or unnecessary hedge fund investments, which held over $800 million in assets; this will save over $11 million in fees.

We also are reducing the number of outside investment consultants, especially duplicative and redundant services, which includes letting go of one investment consultant charging $480,000 in retainer fees per year that was essentially a duplicative service. As a result of these changes and favorable market conditions, we returned 13.3 percent in fiscal year 2017 and for the first time in the last five years we actually beat our benchmark. In the 12 months that ended on June 30, 2017, or fiscal year 2017, we beat our benchmark by 17 basis points. We made $25 million more than we were supposed to make by our benchmark standards. That is good news for beneficiaries and taxpayers, and speaks to the hard work of our investment committee, which is made up of unpaid volunteers.

MG: Let's shift to TIFs. You helped draft Kentucky's 2007 update to the tax increment financing law, which in simple terms allows developers to use the growth in future tax revenues that projects create to pay off the public infrastructure portions of a development, such as roadway and utility elements. There was some learning curve, but how many TIFs are there now? What is the time frame for a TIF project?

JF: There are about two dozen TIFs either approved or in the process of approval in Kentucky. The state has five TIF programs, and depending on which TIF program is utilized they can last up to either 20 or 30 years. I would say the majority of TIFs in Kentucky are 20-year TIFs.

MG: Is there any such thing as a 'typical' TIF project? What are the most common types of developments that use TIF?

JF: No such thing as a typical TIF, but they are all characterized by needing to pay for the high cost of infrastructure. They use the future tax revenues created on the property by the project to pay for the high cost of infrastructure improvements that would have prevented the project from happening, and that is a great thing. We have one of the most innovative, well-designed TIF programs in the country, and it is only to pay for infrastructure that used to be paid for by state and local governments through handouts. Our program requires developers or cities to take the risk – not the state – and then only get paid back their infrastructure cost if the project is successful. This is a good thing. There are no "handouts" and the program has a ton of safeguards. Moreover, it is designed to be completely budget neutral. Finally, I would add that in the 15 years of TIF in the commonwealth, only $110 million has been paid out. That is less than $10 million per year and that is a very small amount – less than 0.01 percent of the state budget.

MG: Are Kentucky developers and public officials still learning how to utilize TIF and how to navigate the process?

JF: It is a good law, but because there are so many safeguards and checks and balances, using the TIF program is quite complicated. And not every development project would qualify. There generally has to be a very special circumstance. A Central Kentucky newspaper recently pointed to the Summit at Fritz Farm project in Lexington as a reason changes in the TIF program should be considered part of tax reform, and I think that is very ill-informed. The Summit project received TIF dollars to fix both upstream and downstream storm water and sewer issues created by other properties and required to be fixed by an EPA consent decree (formalized in 2011 by Lexington, state and federal officials, its hundreds of millions of dollars in improvements are to be completed by 2026). It was the private-sector developers, not the city or the state, that solved a major issue in that part of the county by spending millions of dollars to fix upstream and downstream water and sewer issues caused by other properties. They had to front the money then get paid back over 20 years. I think that is a great deal for Lexington and the state.

MG: Recently, at the request of six Kentucky banks, you launched the Commonwealth Infrastructure Fund. The banks are putting up $25 million each and will get involved in financing public-private partnership projects. How will it allow banks to participate in these deals?

JF: The Commonwealth Infrastructure Fund represents an unprecedented commitment by six banks that normally compete for business. Nowhere else in the country has a group of community banks combined their strengths to create a fund to invest in local infrastructure. Our fund will provide loans to development partners for projects like repairing and replacing aging roads and bridges, public buildings, updating local water and sewer systems, or improving infrastructure and services like student housing, treatment centers or charter schools. The pool of private dollars – zero taxpayer money – the fund has assembled provides a cost-effective alternative for private partners investing in public infrastructure. At the end of the day, it's the citizens of Kentucky who will benefit.

MG: How long might it take to use the $150 million committed to the fund? Might there be additional rounds of funding?

JF: Our goal is to lend the full $150 million in 24-36 months. The six initial banks have all asked for first right of

refusal in the next fund and since the announcement, multiple community banks from all across the state have contacted me asking to be part of the next infrastructure fund. Right now we are focused on making our first loan and first fund successful. I think this first one will be very successful, and there will be multiple funds in the future.

MG: Do you think that we are in the early stages of a broad shift to P3 funding of public projects?
JF: We are in very early innings. It was just last year, 2016, when Kentucky authorized the use of P3s with the signing of House Bill 309 into law. Kentucky's P3 authorization legislation allows both the state and local governments to use P3s to develop public infrastructure. It allows unsolicited P3 offers, which is very useful. P3s can provide significant value for taxpayers. By letting private partners contribute their capital and capabilities, local leaders can address important needs now, reduce the cost to citizens and improve efficiency.

MG: You previously held a job with the World Bank and International Finance Corp. Do you see any opportunities for Kentucky to get more involved in the world economy and attract foreign investment?
JF: I think the commonwealth has done a great job attracting foreign direct investment. To continue to attract additional foreign investment in the future, we have to continue to improve in three areas: educate our workforce with the proper skills, build better infrastructure, and implement a more competitive tax system.

MG: What do you mean by more competitive tax system?
JF: I am in favor of a broader-based sales tax with fewer exemptions. Also, we should work to lower the income tax. I think these two changes will be more efficient and will encourage economic growth. Just look at our neighbor to the south, Tennessee; they have given us the blueprint for economic growth.

MG: Is it appropriate for states such as Kentucky to have foreign entities participate in P3 projects? The Kentucky Wired gigabit network is such a project. Are there any categories of projects that should not include foreign participation?
JF: I was not involved in the Kentucky Wired project, but I am afraid from what I have seen so far it has the potential to give legitimate P3s a bad name. The Kentucky Wired project was well intentioned but it was given to a foreign company – Macquarie from Australia – and the deal was inked before the new P3 law passed. Unfortunately, it does not have any of the necessary safeguards to protect the taxpayers. The Bevin administration has done all it can to make the best of the situation but the die was cast before they took office and all the protections were given to the private foreign company. This is an example of a foreign company taking advantage of Kentucky taxpayers.

MG: How so? What is happening with this project, to which Macquarie had by initial appearances committed to invest more than $200 million to build a statewide gigabit network?
JF: The project is both over budget and behind schedule. If there were sufficient safeguards in place with the Kentucky Wired contract, the private vendor would be required to pay for these cost overruns and delays. The lack of available remedies in the contract ties our hands.

MG: You are the chief investment officer for Centre College. What does that involve? Does this mean you oversee investment of its endowment funds?
JF: I work to make sure the endowment is allocated correctly. The Centre endowment has had tremendous success the last few years and grown to over $300 million. Because I went to Centre on scholarship made possible by the endowment, I really enjoy trying to make the endowment successful so other students can have that opportunity. In my opinion, the Centre faculty, staff and alumni do everything the right way for current and future students. The focus is not just on merit-based aid but also on need-based aid, providing maximum aid to first-generation college students through generous gifts of alumni like David Grissom.

MG: Your company, Commonwealth Economics, specializes in structuring large project finances with complex financial frameworks. Do nearly all large projects today require complex financing both to distribute risk and pull together enough capital?
JF: Yes, my partners at Commonwealth are very good at figuring out financial puzzles. We love digging into big complicated deals with big impediments and challenges and figuring them out. We have been involved in setting up the financial structure in nearly every big project in Kentucky the last 10 years, including the Omni Hotel in Louisville, Summit in Lexington, the Louisville bridges, Owensboro's downtown redevelopment, the proposed new soccer stadiums in Louisville and Northern Kentucky, and the current Lexington Convention Center project, just to name a few. All of these projects take a healthy mix of private, local and state support as well as favorable reception in the debt and equity capital markets to make them happen. They are not easy, but they are very fun to put together.

MG: What type of large projects do you hope to see Kentucky public or private entities take on in the next five or 10 years?
JF: The go-to answer is usually the Brent Spence Bridge (I-75 crossing the Ohio River from Northern Kentucky to Cincinnati), but I am going to talk about a project that may be more important than the Brent Spence Bridge but is rarely mentioned. It is in the social infrastructure realm. Madison County is working on a P3 project to build a substance abuse treatment center instead of a new jail. This is incredibly important for our state. They have about 380 inmates in a 184-bed jail. But a new jail would cost $40-$50 million to build, while a new substance abuse treatment center should cost 50 percent of that amount to build and operate through a P3. Judge Taylor has political courage to try a new solution to fix and treat the problem that is leading to incarceration; this could be a game changer for our state. This is the type of innovation we need.

MG: There are so many economic/financial metrics to monitor – interest rates, GDP growth, employment rates, consumer spending, consumer confidence, etc. Is there a metric you watch more closely for guidance or consider more influential than others?
JF: If I could only look at one thing each morning it would be the 10-year U.S. Treasury yield. It is the most important metric to me and takes into account everything you just mentioned. It has been hovering between 1.5 and 3 percent for the better part of five years, and I would say it will either break above 3 percent or dip below 1.5 percent depending on federal tax reform, which has a 50/50 chance of happening at best. If tax reform happens or becomes more likely to happen, then I think it breaks above 3 percent and provides many years of economic growth and prosperity ahead for our country. If it dips below 1.5 percent from here, we are in trouble. I am optimistic. A lot hinges on federal tax reform. ■

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Allocating Academia's $4.2 Billion

Kentucky college and university endowments are a mixed bag of assets and returns

BY CHRIS CLAIR

KENTUCKY'S universities and liberal arts colleges are educating 150,000 students and employing tens of thousands of Kentuckians. In the background, paying for a portion of that, are endowments worth some $4.2 billion. Those assets are invested in everything from corporate and government bonds to real estate, stocks, hedge funds and private equity.

For each endowment, the goal is to generate more from investment returns and gifts each year than the endowments pay out to fund operations, scholarships and faculty positions at the schools. In most cases that means endowments need to generate income higher than the average 3 percent to 5 percent that they kick in annually to the schools. They must do this while also investing in a way that protects those assets from potential market downturns.

Despite strong equity markets in recent years, generating positive net income isn't easy, even for endowments that use professional investment managers.

In fiscal year 2016, endowments at U.S. colleges and universities earned an average investment return of -1.9 percent, net of fees, according to the largest annual survey of college and university endowments, conducted by the National Association of College and University Business Officers (NACUBO) and the Commonfund Institute. The prior year the average return among the 800-plus endowments surveyed was just 2.4 percent.

Lower investment returns means less money going to fund various school initiatives. Unfortunately for school endowments, investment returns have been trending lower of late. According to the NACUBO-Commonfund survey, 10-year average annual returns for endowments fell to 5.0 percent in fiscal year 2016, about 2.4 percentage points below the return many schools say they need to maintain their purchasing power, taking into account annual spending, inflation and investment management fees.

"This year's results are cause for concern," said NACUBO President and CEO John D. Walda, in a statement announcing the 2016 survey results. "Continued below-average returns will undoubtedly make it much more difficult for colleges and universities to support their missions in the future."

Walda noted, though, that many endowments have increased the amount of money they put toward school programs, including student financial aid and research, despite the lower investment returns.

William F. Jarvis, executive director of the Commonfund Institute, said the pressure on college and university boards and investment committees to balance current needs and longer-term demands will only increase.

Transy, Midway beat U.S. averages

As with any investment portfolio, asset allocation is everything. School endowments need investments that are diversified enough to reduce risk so as to protect the funds but aggressive enough in the right asset classes to generate sufficient returns. In Kentucky, finding that successful blend has been a mixed bag, as it has been nationally.

The Lane Report reviewed fiscal year 2016 annual reports for 21 public universities and private liberal arts colleges in Kentucky. The reports showed the schools' endowments contain mixes of equities, fixed income, cash, real estate, private equity, hedge funds, natural resources and private credit. But within the individual portfolios, the asset mix differences are large. (See next page.)

Transylvania University, for example, had 79 percent of its $176.3 million in total investments (of which the endowment comprised $167.3 million) in equities as of June 30, 2016, the highest percentage of any endowment reviewed by *The Lane Report*. Eastern Kentucky University had about 71 percent of its $44.1 million endowment portfolio in equities, and Midway University had 69.8 percent of its $21.1 million in total investments in equities. Midway listed the total value of its endowment as $24.5 million as of June 30, 2016.

Those percentages are much higher than schools of comparable size, accord-

Kentucky College and University Endowment Allocations

Eastern Kentucky University
17,000 students (fall 2015)
$44.1 million (June 30, 2016)
Equities 71%; Fixed income 23%; Alternatives 5%; Cash 1%. Details at goo.gl/G5dC65

Kentucky State University
1,694 students (Sept. 2016)
$15.4 million (June 30, 2016)
Fixed income 13%; Bond mutual funds 30.7%; Money market funds 5.9%; Real estate funds 5.8%; Equities and equity mutual funds 44.6%. Details at goo.gl/rNySTR

Morehead State University
11,000 students (est.)
$31.5 million (June 30, 2016)
Large-cap U.S. equity 15.6%; Small-cap U.S. equity 8.3%; International equity 13.0%; Cash 0.7%; Core fixed income 24.0%; Hedge funds 18.4%; Real assets 12.6%; Private equity 0.9%; Corporate bonds and stocks 0.1%; Annuity 0.4%.* Details at goo.gl/SEuRZg
** percentages of $41.8 million in total university investments*

Murray State University
10,495 students (fall 2016)
$19.2 million (June 30, 2016)
CDs and money market mutual funds 5%; Mutual funds 59%; Equities 4%; Fixed income 31%; Other 1%.* Details at goo.gl/L9B4J9
** 96% of funds are invested with the MSU Foundation, whose percentages are listed*

Northern Kentucky University
14,566 students (fall 2016)
$89.6 million (June 30, 2016)
Short-term money market funds 0.007%; Cash 0.5%; Core fixed income 1.7%; Core plus fixed income 5.3%; Global fixed income 2.0%; High-yield fixed income 1.8%; TIPS 1.7%; Large-/mid-cap equity 27.7%; Small-cap equity 1.9%; International equity 6.3%; Emerging markets equity 7.7%; REITs 0.01%; ETFs 0.04%; Hedge funds (public natural resources MLPs) 3.4%; Remainder interest in real property and other 0.6%; Private equity 5.2%; Private debt 2.2%; Natural resources 10.5%; Value added private real estate 1.5%; Low-volatility diversifying strategies 11.0%. Details at goo.gl/APT4it

University of Kentucky
30,720 students
$1.2 billion
Cash 0.7%; Common and preferred stock 3.0%; Corporate fixed income 0.5%; Gov't agency fixed income 0.2%; Absolute return 11.4%; Equity 24.7%; Fixed income 6.0%; Global Tactical Allocation 6.6%; Long/short equity 13.5%; Private equity 14.2%; Real estate 10.5%; Diversified inflation strategy 7.4%; U.S. Treasuries 0.9%. (Dec. 12, 2016 targets) Details at goo.gl/zeiPsQ

University of Louisville
22,640 students (fall 2016)
$715.7 million (June 30, 2016)
Mutual funds 9.4%; Preferred and common stock 5.5%; Equity method investments 0.5%; CDs 1.1%; Alternative credit 1.8%; Alternative U.S. equity 10.6%; Alternative international equity 24.0%; Equity long/short hedge funds 6.6%; Multistrategy hedge funds 6.6%; Natural resources 5.1%; Opportunistic hedge funds 3.2%; Private equity 13.9%. Details at goo.gl/b86Qxf

Western Kentucky University
20,271 students (fall 2016)
$51.7 million (Dec. 31, 2016)
CDs 3.0%; Mutual funds 77.8%; ETFs 3.2%; Equities 0.5%; Marketable alternatives 11.9%; Real Estate 1.9%; Private equity 1.7%.* Details at goo.gl/7za3tp
* WKU Foundation investment estimates Dec. 31, 2016, endowment comprises 61%.

Alice Lloyd College
599 students
$38 million
Asset allocation – None available

Asbury University
1,838 students (fall 2016)
$38.1 million (June 20, 2016)
Cash and cash equivalents 2%; CDs 5.5%; Common stock, mutual funds, money market funds, ETFs, closed-end funds 59.3%; Limited partnerships and LLCs 33.2%. Separately listed $14.6 million in alternative investments – Private equity 16.8%; Multistrategy hedge funds 61.3%; International equity 10.3%; Global debt 11.6%. Details at goo.gl/yDaewS

Bellarmine University
3,846 students
$48.6 million (June 30, 2016)
Cash and equivalents 0.5%; Equities 26.9%; Fixed income 15.8%; Private equity/venture capital 7.2%; Alternatives 18.6%; International equities 21.4%; Other marketable securities 2.3%; Real estate 7.3%. Details at goo.gl/FsBSfp

Berea College
1,552 students
$1.05 billion (June 20, 2016)
U.S. equities 22.5%; International equities 28.1%; Corporate notes and bonds 6.3%; U.S. government securities 6.4%; Private equity 4.3%; Hedge funds 13.8%; Special opportunities 6.5%; Commodities 4.8%; Short-term investments and cash 6.9%; Real estate 0.3%. Details at goo.gl/AQLxqv

Centre College
1,425 students (fall 2016)
$237.6 million (June 30, 2016)
U.S. government debt 0.5%; Equities 43.5%; Private equity 23.2%; Alternative equity 6.7%; International equity 15.3%; Debt 10%; Other notes receivable 0.5%; Other 0.2%. Details at goo.gl/Ec5kJf

Georgetown College
1,569 students
$30.9 million (June 30, 2016)
Cash equivalents 1.4%; Mutual funds 36.8%; Equities 42.7%; Debt 1.7%; Cash surrender value of life insurance 0.8%; Real estate 1.0%. Details at goo.gl/xnpVa4

Kentucky Wesleyan College
785 students
$34.3 million (May 31, 2016)
U.S. agency securities 0.5%; Corporate bonds and notes 1%; Large-cap equity 16.6%; Mid-cap equity 0.2%; Small-cap equity 1.5%; International equity 24.6%; Other common stock 0.1%; Commodities 6.0%; Bonds 18.1%; Offshore hedge funds 8.2%; Other alternatives <1%.* Details at goo.gl/n983f4
** Percentages of $28.1 million in listed investments.*

Lindsey Wilson College
2,143 students
$20.8 million (June 30, 2016)
U.S. government securities 14.8%; Corporate stocks 67.8%; REITs 4.0%; Bonds 10.2%; Cash equivalents 1.2%; Trust 1.9%.* Details at goo.gl/6xsC83
** percentages of $21.6 million in listed investments.*

Midway University
1,217 students
$24.5 million (June 30, 2016)
Cash and cash equivalents 3.2%; Equities 69.8%; Government securities 3.1%; Debt securities 20.8%; Mortgage notes 1.3%; Real estate 0.4% Mineral interests 1.4%.* Details at goo.gl/gkpLJF
** percentage of $21.1 million in listed investments*

Thomas More College
1,826 students (fall 2016)
$19.5 million (May 31, 2016)
Mutual funds 27.6%; Common stock 50.1%; U.S. government securities 4.0%; Government bonds 8.8%; Corporate bonds 5.9%; Municipal bonds <0.1%; Money market fund 2.7%; Other 0.2%.* Details at goo.gl/6wnC6U
** percentages of $17.1 million in listed investments*

Transylvania University
963 students
$167.3 million
Money market funds 2.4%; U.S. gov't and gov't agency debt 9.5%; Corporate and gov't mutual funds 0.7%; U.S. equities 79.0%; Non-U.S. equities 7.3%; Other securities 0.4%; Assets held in trust by others 0.8%.* Details at goo.gl/JF6UJs
** percentages of $176.3 million in listed investments*

Union College
2,203 students (fall 2016)
$389.2 million
Short-term investments 1.8%; Common stocks 37.4%; Fixed income 9.2%; Private equity/venture capital 8.8%; Multistrategy funds 4.0%; Debt-related funds 3.4%; Hedged equity funds 19.5%; Emerging markets funds 4.1%; Distressed debt 4.1%; Real assets 7.4%.* Details at goo.gl/uKKCcd
**percentages of $428.1 million in listed investments*

University of Pikeville
1,658 students
$20.5 million (June 30, 2016)
Cash and cash equivalents 11.7%; Fixed income 22.8%; Marketable equity 64.8%; Mineral interest 0.7%.* Details at goo.gl/5w1jFm
** percentages based on $13.8 million in listed investments*

Source: Institutions' annual reports

ing to the NACUBO/Commonfund survey. For schools with endowments worth between $101 million and $500 million, the average allocation to U.S. equities was 26 percent of the portfolio and 20 percent of the portfolio for international equities, for a total of 46 percent of the portfolio allocated to equities. For schools with between $25 million and $50 million in assets, the average total equity allocation in fiscal year 2016 was 55 percent – with 38 percent to U.S. equities and 17 percent to international equities.

Generally, schools with smaller endowments tended to have higher allocations to equities.

Transylvania's high allocation to equities paid off in fiscal year 2016, helping the school's investments earn 0.7 percent in a year when the average comparable school endowment lost 2.4 percent. Midway reported investment gains net of fees of 0.2 percent. That year, equities, as represented by the Standard & Poor's 500 stock index, gained 4 percent, second only to bonds as represented by the Barclays U.S. Aggregate Bond index, which returned 6 percent.

EKU's endowment didn't fare as well, losing 3.8 percent, indicating that it's not solely asset mix that matters, but security selection as well. That's borne out in other schools' experiences with their own equity portfolios in 2016. Among the 121 schools surveyed with assets between $25 million and $50 million, the average U.S. equity return was 0.3 percent, while the average non-U.S. equity return was -7.3 percent.

UK and Berea assets are largest

The big dogs of Kentucky's endowment world are the University of Kentucky, with $1.2 billion, and Berea College, which despite having an enrollment 1/20th the size of UK had an endowment worth $1.05 billion.

UofL, with 22,640 students, listed endowment assets of $715.7 million, the only other public university with more than $100 million in endowment assets. Among private liberal arts colleges, Union College listed endowment assets of $389.2 million, Centre College $237.6 million and Transylvania University $167.3 million.

UK's -2.2 percent return in 2016 was slightly worse than schools with endowments worth more than $1 billion, which lost on average 1.9 percent. However, UK's return was right in line with that of schools with between $501 million and $1 billion. UK's allocation to equities – 27.7 percent including common and preferred stock – was below the NACUBO/Commonfund average of 32 percent equity allocation for schools with endowments worth more than $1 billion as well as the average 38 percent allocation for schools with between $501 million and $1 billion. The school's allocation to alternatives, including hedge funds, private equity, global tactical asset allocation, real estate and diversified inflation strategies, totaled 63.2 percent of the portfolio, slightly higher than the 58 percent average allocation to alternatives for the largest endowments and 45 percent for the next smaller category.

Berea College's endowment portfolio returned -4.6 percent in fiscal year 2016, despite the school's 50.6 percent allocation to equities that year, likely reflecting its tilt toward underperforming international equities. The school had 28.1 percent of its assets in stocks outside the United States. Additionally, Berea College's endowment was underweight on private equity compared to schools of comparable size, meaning it missed out on the upside from the best performing asset class that year.

Private equity real estate returned 7.1 percent for schools surveyed by NACUBO/Commonfund, and private equity in the form of leveraged buyouts, mezzanine debt, merger and acquisition funds and international private equity returned 4.5 percent. The average allocation to real estate and other private equity for schools with more than $1 billion in endowment assets was 19 percent, while for schools with between $501 million and $1 billion it was 11 percent. Berea's allocation was 4.3 percent.

Returns affect annual support spend

Like other endowments, Morehead State lost money on its investments in 2015-2016, about 2.2 percent. That was slightly worse than other schools its size, according to the NACUBO/Commonfund figures. Endowments with between $25 million and $50 million in assets lost an average of 1.6 percent that year, slightly less than larger schools and slightly more than smaller schools.

Part of Morehead State's underperformance that year could be attributed to its lower-than-average allocation to U.S. equities. Morehead listed a large-cap equity allocation of 15.6 percent of total investments and a small-cap equity allocation of 8.3 percent of total investments. The average allocation to U.S. equities for similar schools was 38 percent.

While most endowments emphasize long-term returns, the importance of shorter-term investment performance directly affects how much schools have to spend from year to year. Most schools base how much their endowments contribute to funding on the rolling average value of the endowment over recent years. The effective spending rate for all schools was 4.3 percent, and was higher for larger schools than for smaller schools.

Kentucky's universities and colleges are largely in line with their peers nationwide.

At Northern Kentucky University, the endowment spending target is between 3 percent and 5 percent of a moving 16-quarter (64-month) average of the fair value of the endowment funds. The spending rate is cut by 5 percent for each 1 percent the endowment loses in value.

UK's spending policy uses a hybrid calculation that sets a rate between 3 percent and 6 percent of the endowment's market value. Midway University bases what it spends from its endowment each year on a three-year moving average of the fair market value of the fund. EKU distributes up to 5 percent of the three-year rolling average of the endowment's value each year, and up to 1.5 percent of the rolling average value can be spent by the school foundation to further its mission of providing "support for the advancement of the university." ■

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In Trusts We Still Trust

Boomers won't take their trillion dollars with them, but many will control how it is spent

BY GREG PAETH

WHEN it comes to estate planning and how their money will be used by future generations, it seems clear many baby boomers won't go out with a whimper. Attorneys and bankers throughout Kentucky report an uptick of people setting up legal trusts that provide financial advantages and protection for their assets and the beneficiaries.

Often as a substitute for a traditional will, the trusts boomers are setting up today can ensure that wealth built gradually over decades or generations isn't frittered away in months or lost to a legal dispute or failed marriage.

"I think it (the number of trusts) is increasing and in large part because of demographics, the so-called baby boomer generation. They're thinking about getting older and updating their estate plans, retirement and estate planning," said Richard M. Wehrle, an attorney whose practice is devoted to estate planning and trust work for Stites & Harbison, which has 10 offices in five states, including four locations in Kentucky.

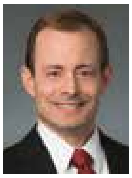
Richard M. Wehrle, Attorney, Stites & Harbison

"Probably the vast majority of what we're seeing (in new trusts) is being created by that generation," said Jim Elliott, director of wealth management for Kentucky Bank, which is headquartered in Paris and has 17 locations in the state.

"What we are seeing is a lot of growth in trusts to make sure that dollars that the baby boom generation accumulated is able to trickle down and that's more than a trillion dollars nationally," said Barry Hickey, executive vice president and trust manager for Lexington-based Central Bank, which has 37 offices around the state. "They want to make sure their kids are taken care of and, more importantly, their grandkids. People want to make sure that they can direct and dictate how and when their assets are passed on to children or charities and that's really the key (for boomers)."

Barry Hickey, Executive Vice President and Trust Manager, Central Bank

Longer life expectancies are growing the living trust category today, said Jeffrey J. Keil, vice president and senior trust officer for WesBanco Trust & Investment Services, which manages $3.6 billion in 6,000 trust accounts. With living trusts, clients provide for themselves should they become incapacitated; they see to financial, household, medical and other needs.



Jeffrey J. Keil, Vice President and Senior Trust Officer, WesBanco Trust & Investment Services

"Everybody thinks trusts are a good idea," said attorney Turney Berry of Wyatt, Tarrant & Combs, which has offices in Louisville, Lexington, Tennessee and Indiana.

"I think every wealthy person – no matter how you define that – is making a strong use of trusts, and more and more middle-class people are as well. It's kind of like the Subzero refrigerator; if you can afford it, why not take advantage of it," said Berry, reached by phone from Wilmington, Del., where he was speaking at the Delaware Trust Conference.

Turney Berry, Attorney, Wyatt, Tarrant & Combs

Berry's reputation as an authority on trusts and estate planning extends well beyond the commonwealth – when a *Lane Report* writer contacted the American Bar Association in Washington, D.C., to seek an expert on trusts, the ABA suggested Berry.

Although Berry references trusts in the same breath as a very high-end kitchen appliance, he and other attorneys make it clear that creating a trust isn't just for multimillionaires anymore, and the cost may be only slightly more than having an attorney draw up a will.

At least $500,000 in assets

The attorneys said fees to create a trust vary greatly depending on the complexity, which usually increases in direct correlation to its dollar value.

James C. Worthington, Proprietor, Worthington Law Firm

A simple trust might involve as little as $1,500 in fees and provide long-term tax advantages that could offset that cost, Louisville estate planning attorney James C. Worthington said.

In his 35 years of practice, 80 percent of which is estate planning, Henry "Tip" Richmond, with the Lexington office of Dickinson-Wright, said clients typically have at least $500,000 in assets before they consider creating a trust.

At some point the benefits of a trust are outweighed by costs, which can include investment management, tax preparation, a trustee's administrative fee and often the expense of a professional entity such as a bank hired to fulfill the tasks. A recent provision of Kentucky law allows beneficiaries to go to court to terminate trusts with assets of less than $100,000, Richmond said.

"I would agree there is a growing use of trusts and growing existence of trustees, and growing interest in using banks as trustees rather than individuals," he said.

"The use of trusts seem to be increasing as people are becoming more aware that they are not just for individuals of ultra-high net worth," Keil said. "Trusts have many financial planning benefits, offering professional investment management at competitive fees with additional services that may not be available at other investment advisory firms."

Everyone's estate is significant to them, said Terri Stallard, a member with Lexington-based McBrayer McGinnis Leslie and Kirkland whose practice specialty is estate and trust planning.

"It is important to be cognizant that this what someone built up their whole life," she said.

Terri Stallard, Member, McBrayer McGinnis Leslie and Kirkland

She agreed, though, that $500,000 is probably a minimum asset level for a trust that will have a professional corporate trustee.

"The trustee's job is very daunting," Stallard said.

There is a legal obligation to carry out the intentions of the grantor of the trust and maximize the benefits to recipients. It can involve complex financial and interpersonal skills. She advises whenever possible for family trusts that all the parties involved are fully educated on the intentions and processes at the outset.

Privacy a prime asset of trusts

Despite their deep expertise about how trusts work, the Kentucky attorneys have only anecdotal information about an increase in trust usage. There are no official numbers because of one important element of a trust: privacy.

While most wills at some point must be filed in court and become public record, most trusts do not.

"First of all, it's a private arrangement that is not subject to probate (legal transfer of an estate's property in court). It does help to save some pro-

Some of the Many Forms of Trusts

A trust can be created during a person's lifetime and survive the person's death. A trust can also be created by a will and formed after death. Assets put into the trust belong to the trust itself, not the trustee, and remain subject to the rules and instructions of the trust contract. While there are a number of different types of trusts, the basic types are revocable and irrevocable.

Revocable Trusts can be changed or revoked entirely during the lifetime of the trustmaker. In these "living trusts," the trustmaker transfers the title of property to a trust, serves as the initial trustee, and may remove the property from the trust during his or her lifetime.

Irrevocable Trusts cannot be modified or revoked after its creation. Once an asset is transferred to an irrevocable trust, no one, including the trustmaker, can take it out of the trust. It may only go toward fulfilling the trust's intended goal.

Asset Protection Trusts protect and insulate assets from creditor attack. These are normally irrevocable for a term of years, with the trustmaker not a current beneficiary but structured so that the undistributed assets return to the trustmaker upon termination.

Charitable Trusts benefit a particular charity or the public in general. Typically they are as part of an estate plan to lower or avoid imposition of estate and gift tax.

Constructive Trusts are implied trusts established by a court that determines, even though there was never a formal declaration of a trust, that there was an intention on the part of the property owner that assets be used for a particular purpose or go to a particular person.

Special Needs Trusts are set up for a person who receives government benefits so as not to disqualify the beneficiary from such government benefits.

Spendthrift Trusts do not allow the beneficiary to sell or pledge away interests in the assets. They are protected from the beneficiaries' creditors.

Generation By-Pass Trusts allow one spouse to leave assets to the other and limit federal estate tax on the death of the second spouse.

Source: FindLaw.com

bate costs potentially," said Donald Asfahl, president of Hilliard Lyons Trust Co. in Louisville, a subsidiary of the Hilliard Lyons financial services firm. "I think the privacy side is the big thing."

The largest Kentucky-based firm in its category with $9.5 billion in accounts, Hilliard Lyons Trust has experienced "tremendous growth" the past five years, Asfahl said. Total account values grew an average 13.8 percent per year, reflecting both increasing numbers of accounts and growth of their assets under Hilliard Lyons management.

The most common trusts in Kentucky – the revocable or "living trust" – don't routinely become a court document that anyone curious about the size of an estate and how it was distributed may examine.

"It would be hard to put a number on them. There's no reliable source for that because revocable trusts don't have to register for a tax ID number," said Worthington, who is former chair of the probate and trust law section of the Kentucky Bar Association.

"When I set up a revocable trust, I don't have to tell anybody," Wehrle said. "It's private, so there is no database for trusts."

Assets put into trust do not go into an estate's probate inventory, which is a significant strategy for some clients who do not want the curious to know what assets their family has or where they are, Stallard said.

The less common irrevocable trust can't be modified by its grantor. Once it's in final form, the attorneys explained, the grantor transfers all control to the trustee, whose basic existence is knowable but not much more.

"That creates a new 'person,' a new taxpayer," said Dennis Repenning, a Covington attorney who worked for the IRS for five years, including a year as an estate and gift tax attorney. The IRS assigns a number to the trustee, which might be an entity such as a bank, and it becomes a U.S. taxpayer whose financial information isn't disclosed, he said.

Dennis Repenning, Attorney, Taliaferro Carran & Cowherd

A shield from liability and predators

Repenning agreed that people who create trusts usually want to protect their assets from creditors and from liability in the event of a lawsuit.

"Some types of business activity are more prone to risk and potential lawsuits," Repenning said. "Folks in those businesses should think about creating a trust."

Asfahl said trusts shield assets from "predators and creditors. If it's tied up properly in a trust, it's not subject to lawsuits and garnishments." However, they do not create a license to run up a huge debt and dodge repayment, he said.

Donald Asfahl, President, Hilliard Lyons Trust Co.

"It can be a great asset-protection vehicle so that you can preserve and protect a person's inheritance," said Wehrle. "A typical 'will substitute' trust that's revocable does not give any asset protection for the person who set up the trust. My creditors can get to what I can get to in a revocable trust."

Another form often referred to as a marital trust is set up to ensure that a spouse's needs are taken care of after one dies. Others are set up to cover the costs of someone who is disabled and can't care for himself. Still other trusts will skip a generation and make grandchildren rather than children the beneficiaries so that future college costs, for example, can be covered.

Kentucky Bank's Elliott mentioned that some people opt to create a so-called "spendthrift trust," which is designed specifically to control the spending of a beneficiary who might not make wise financial decisions.

Jim Elliott, Director of Wealth Management, Kentucky Bank

"You can set it up where you can take out 5 percent on an annual basis or (more) for education, buying a residence, health (problems) – those kind of things can be spelled out," said Asfahl, who also is an attorney. "You can spell out whatever you want and … rather than give their children everything after they're gone, they might say maybe (I'll give them) a third (of the assets) at 35, a third at 40, a third at 45 – something like that."

While some trusts are designed to guarantee that a spouse is cared for, trusts also can play an important role if marriages fall apart.

"The law in Kentucky – and in most places in one form or another – is that what you have inherited you get back if you get a divorce," Berry said. "If it's in a trust, it's a lot easier to sort out."

Trusts traditionally were considered a good way to avoid or reduce estate taxes. But that has become less important today because estate tax exemptions have increased substantially in recent years, said Stallard, who worked for the IRS early in her career.

That exemption was $600,000 and the top estate tax rate was 60 percent in 1990, she said. Most small businesses and even a decent life insurance policy could trigger estate taxes then.

Berry said the exemption is now $5.49 million per person, which means that a couple can pass on nearly $11 million without estate tax, and the top rate is now 40 percent. The exemption increases to $5.6 million per person next year, according to the IRS.

Those exemptions pertain to estates settled with a traditional will.

Trust creation a legal function

In Kentucky only a lawyer can create a trust for another person because the whole process involves providing legal advice, which is the sole domain of attorneys.

Bankers can provide information about trusts and serve as trustees and administrators. Creating the trust must be done by an attorney but not an attorney who is a bank employee, Hickey said.

An individual may write his or her own trust, perhaps using online resources such as legalzoom.com, Berry said, but not for anyone else.

Avoiding probate court is an advantage of trusts, though probating a will in Kentucky usually is not as onerous as elsewhere in the country, said the attorneys and bankers.

"In Kentucky it's fairly straightforward and streamlined, and the costs are not exorbitant," Repenning said.

"You're seeing more and more interest in avoiding probate even though its relatively easy in Kentucky compared to other states," Worthington said. "There's been a lot of national press that talks about it being a good thing to avoid.

"A trust can be more convenient to the family," he said. "If, for example, you have a brokerage account, when somebody passes all you change is the trustee (name); you don't have to close (and reopen) the account." And in some cases the appreciation of assets in a trust can avoid estate tax.

"Oftentimes a trust is a good way for folks to organize their assets," Berry said. "That saves their heirs or their executors a lot of time and thus saves them a lot of money" indirectly.

He recalled one client – a professor of finance – who left behind 69 separate accounts, a situation that "takes a year to clean up," Berry said.

The attorneys and bankers interviewed said the growing use of trusts in Kentucky is not beyond their ability to meet the demand for their services at this point. Several said their firms and companies have steadily added personnel in recent years.

However, Berry said information in Steve Leimberg's *Estate Planning Newsletter* last month indicates there might be a shortage of trust specialists coming.

"The trust industry has been experiencing a significant issue in recent years. This issue is not in the area of tax planning or compliance, but in the area of talent acquisition. There simply are not enough millennials choosing to enter the wealth-management field," according to an article in the newsletter.

"While there are many interested in the investment and financial planning areas, the number of individuals choosing to enter the specialized field of trust planning and administration is significantly smaller. Nowhere is this talent gap felt more acutely than in the area of trust administration and management, where many baby boomers with lifetime careers as trust officers are set to retire," the newsletter said. ■

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

Erin Feeney, R.N., right, explains use of a patient monitor to apprentice Natalia Dickerson in the Norton Women's & Children's Hospital Pediatric Emergency Department.

Care Provider and Training Provider

Norton apprenticeship pays nursing students to get a dose of the real world

BY ROBERT HADLEY

WHEN Norton Healthcare announced earlier this year its plans to launch an innovative apprenticeship program to help train nurses, it became one of the first provider systems in the country to take up the task of helping to educate its own workforce, a function traditionally left to medical schools and universities.

The Student Nurse Apprenticeship Program, SNAP for short, is meant to supplement, not replace, an associate's or bachelor's degree in nursing, according to Program Manager Brittany Burke. The 12- to 18-month paid training program is a crash course in clinical procedures, Norton Healthcare-style.

It is designed to acquaint participants with "the culture of Norton Healthcare" as they gain additional hands-on experience and become more confident healthcare providers.

A three-tiered culture, clinical, confidence model, SNAP pays students to acquire an elevated educational and clinical experiences as they prepare for an RN role after graduation. It reinforces nursing education and patient safety, awareness of the professional nurse role, and an appreciation of organizational structures and operations within Norton's first-rate healthcare setting.

The Louisville-based not-for-profit system includes five hospitals with 1,837 licensed beds; seven outpatient centers; 12 Norton Immediate Care Centers; over 13,000 employees; some 654 employed medical providers; and approximately 2,000 physicians on staff.

Upon its announcement last summer, SNAP earned accolades from Gov. Matt Bevin, who positioned it as part of his call for businesses to help the state's workforce become more competitive.

Gov. Matt Bevin

"Innovative training programs, like this one at Norton Healthcare, deserve to be celebrated," Bevin said in a Norton press release. "I have challenged Kentucky employers to think and act boldly, and Norton Healthcare has answered that challenge in an impressive way."

While many SNAP participants are likely to become Norton staffers, there is an expectation that many will go elsewhere in the region also. There are 125 enrollees presently, with future cohort sizes dependent on the needs of the organization.

During an August interview published in *The Lane Report*, Norton Healthcare CEO Russ Cox explained the need for the program.

Russ Cox, CEO, Norton Healthcare

"We have always been very involved in training nurses, because that is the lifeblood of our workforce," Cox said. "The nursing workforce is extremely important. One of the reasons we have weathered storms that others haven't is because we've invested in training and apprenticeship programs for nurses."

Norton, like all non-profit hospital systems, does not pay income tax on its earnings but files details of its community benefit services with the federal Internal Revenue Service.

While Norton lacks an outright shortage of nurses, its move to train more of them could be seen as a proactive step to avoid an issue affecting many hospitals across the country. According to an Oct. 20 article by Reuters, a nationwide shortage of nurses is threatening care. Hardest hit are rural communities, such as those in neighboring West Virginia, where the Charleston Area Medical Center in Morgantown spends $12 million annually on visiting nurses, a category the report says was unheard of until recently. The hospital, one of 20 Reuters surveyed to document the national shortage, incentivizes training for nurses by paying tuition in exchange for a two-year promise to work at the center.

University of Louisville bachelor of nursing students have access to innovative Patient Simulation and Standardized Patient Centers at school and the real thing when they participate in the Norton apprenticeship program.

Ron Moore, the Charlestown hospital's retired vice president and chief nursing officer, explained in the report that incentives are necessary to combat a shortage he characterized as the worst he has seen in four decades.

Conditions in West Virginia mirror those in Kentucky, according to an Oct. 6 article published in *The Courier-Journal*, which quoted Galen College of Nursing CEO Mark Vogt as saying Kentucky was on the "front end" of the coming nationwide shortage.

National statistics back up this assertion. According to the federal Bureau of Labor Statistics (BLS), demand for nurses, who earn a median salary of nearly $33 an hour, is expected to jump 15 percent over the next decade, adding some 437,000 jobs to the current 2.9 million registered nurses currently working.

However, another metric is particularly troubling. The American Nursing Association reports that between 2000 and 2010, the average age of nurses increased by two years, suggesting that more nurses are retiring and leaving the workforce, without younger counterparts to replace them.

This is an issue also with educators training the next generation of nurses, notes Marcia Hern, dean of the University of Louisville's School of Nursing.

"There is a nationwide shortage of nursing school faculty," Hern said. "The average age of a nursing faculty member is in the low 60s. So what's happening is many of them are starting to approach retirement, and even though nursing remains a popular career choice, we don't have sufficient numbers (of faculty) to meet the needs as educators for the future."

Marcia Hern, Dean, University of Louisville School of Nursing

Seen in this light, Norton's move to help train and incentivize nursing students can be seen as a proactive step to help build the pipeline of nurses for the next generation.

Shannon Martin, R.N., in the Norton Women's & Children's Hospital Pediatric Emergency Department with apprentice Chris Muncy.

"One of the single biggest limiters in healthcare right now is a trained workforce," Cox told *The Lane Report*. "There are a lot more people seeking care these days, so we need a whole lot more people to take care of them. So it's not just designed to answer (Kentucky's) needs; it's designed to begin to answer some of the questions about the discipline of nursing and how we begin to replenish that workforce."

The new primary care provider?

The employment situation of primary-care physicians, and doctors overall, parallels that of nurses, according to a recent study from the American Academy of Family Physicians. The association points to a 2012 article in the *Annals of Family Medicine* predicting a shortage of more than 50,000 primary-care physicians by 2025. With BLS data showing the median salary of a primary-care physician hovering around $200,810 annually versus just $68,940 for registered nurses, it's easy to imagine some healthcare systems, especially in cash-strapped states with dense rural populations, could favor hiring more nurses to stem the physician shortage.

However, none of the sources interviewed for this story is suggesting a well-trained nurse could actually replace a primary-care physician. Instead, they advocate a paradigm shift in the way medical practices are structured, a way that could facilitate access to care during challenging financial times.

University of Louisville students work on fundamental skills with simulated patients before gaining a wide range of clinical experience in Norton apprenticeships.

"The goal of the nurse is not to replace the physician," assured Kim Tharp-Barrie, system vice president for Norton's Institute for Nursing and Workforce Outreach, herself an R.N. "Nurses are part of a primary care team that provides a holistic approach to healthcare. As a member of the team, nurses play an important role in taking care of patients, focusing on patient safety, education and advocacy."

Kim Tharp-Barrie, System Vice President, Norton's Institute for Nursing and Workforce Outreach

UofL's School of Nursing Dean Marcia Hern agrees that the goal is not replacement because doctors and nurses do not share overlapping functions.

"We are collaborative with physicians," she said. "Physicians drop in and drop out – they're not there for a whole shift unless they are doing a surgical case. Nurses are the ones, particularly in hospitals, who are present 24 hours. It's up to an astute nurse in a situation where the patient is declining to make decisions and then call a physician."

Hern describes a paradigm shift underway across the industry as it struggles to adjust to the shortages of both doctors and nurses, one that has prompted the industry to re-envision the structure of medical practices and delivery of care. Specifically, she points to the increased use of nurse practitioners or advanced practice registered nurses (APRN), who often have earned a master's degree in nursing and typically have undergone additional training supervised by a physician.

"I think you're going to see a significant increase in the utilization of nurse practitioners who can actually prescribe and diagnose and treat within their scope of practice, especially in primary care," Hern said. "So pretty much, outpatient clinics across the United States (will be) staffed with two or three physicians with maybe four or five nurse practitioners … to do the initial screening. Then if there is a more complicated finding or something out of their realm of practice, they will refer on to a physician in a specialty area."

Nurses usually outnumber doctors by a healthy margin in most healthcare settings.

It may be that in the future, healthcare facilities are staffed by registered nurses or APRNs, who typically receive either a master's degree or doctorate in nursing from an accredited training program.

According to Kentucky's Board of Nursing, APRNs provide care under the supervision of a licensed physician and after a minimum of one year of experience can prescribe medications.

Allowing registered nurses and APRNs to provide front-line care may be the industry's next step as it adjusts to meeting the needs of both an aging baby boomer population as well as patients who can now afford healthcare given the recent changes in the Affordable Care Act. As mentioned previously, while family doctors earn around $200,000 a year, the median salary for specialists is nearly 50 percent more, reported at $284,000 by the American Academy of Family Physicians.

"Many residency programs in medicine have difficulty filling all their slots," Hern said. "I think (primary care) is not as popular as it once was and many physicians are interested in challenging specialty areas. Which is good for us in nursing, as we're in the right position to absorb some of that care." ■

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

Advanced manufacturing technicians are in high demand in Kentucky industry. Their average starting salary is $60,000.

32 CREDIT HOURS, TUITION FREE

Scholarships available in high-wage, high-demand fields, apply now

BY DEBRA GIBSON

HEALTHcare, advanced manufacturing, transportation/logistics, business services/information technology, and construction trades are five of the highest paying fields today – yet they are the fields with the most job openings.

The Work Ready Kentucky Scholarship (WRKS) Program was developed to address this need. The program provides free tuition for programs in these fields, which are deemed high-wage, high-demand. Recipients can take up to 32 credit hours tuition-free. The scholarships are available at any of the state's four-year public universities, schools in the Kentucky Community and Technical College System, or accredited colleges in Kentucky.

"All of these jobs require more than a high school degree," said Jay Box, KCTCS president. "Most require at least a one-year year certificate, and some require all the way up to an associate degree. The degree that probably gets the most attention is that of an advanced manufacturing technician. The average starting salary is $60,000 a year.

"These scholarships are designed to attract adults – working adults – back into these sectors with the most job openings," said Box. We have programs where you can earn a certificate in as few as four months."

The scholarships also aim to help employers, according to Box.

"If employers have employees who are undereducated for the jobs that the company needs, this scholarship can get workers re-directed to a higher level," he said. "This scholarship can pay up to 32 hours."

Box said there are different employer needs in different parts of the state.

"In the eastern part of state, information technology fields are booming," Box noted. "In Northern Kentucky, it is manufacturing. In the western part of the state, transportation and logistics are particularly needed. Anywhere there is a boom in construction – typically the more urban areas – there are needs in the construction trades. Healthcare workers are needed across the board."

There are two important caveats for employers and employees alike.

First, while there are no income or age limits to qualify, prospective students must first apply for federal financial aid before they are eligible to apply for the WRKS. The Free Application for Federal Student Aid (FAFSA) form is available at fafsa.gov, and the WRKS application can be found at kheaa.com.

Secondly, there are state and federal deadlines for submitting an FAFSA application. Check the left side of the homepage under "deadlines" to determine which apply since federal and state deadlines are different and deadlines at the various colleges can also be different. However, in general, FAFSA funds are available in October and applications must be submitted by November to be eligible for the semester beginning in January of 2018.

Anyone who has not yet earned a college degree of any type is eligible. Applicants must have a high school diploma or high school equivalency certificate. ■

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

Gateway Community and Technical College, which has three campuses in Northern Kentucky, is among the many sites where Work Ready Scholarship Program participants may get up to 32 credit hours of advanced skill training tuition free.

Lane Report photos

James R. Allen, left, CEO and chairman of Hilliard Lyons, and Thomas Kessinger III, president, have already spent six months working in neighboring offices as part of the succession process at the 163-year-old full-service wealth management firm. Hilliard Lyons has about 1,000 employees with some 400 financial advisors in its 71 offices.

Hilliard Lyons Takes Succession Seriously

Office neighbors for six months, James Allen and Tom Kessinger are in early stages of long-term succession process

BY MARK GREEN

BUSINESS-succession planning advice is a product for Louisville-based financial services firm Hilliard Lyons, so one expects best practices when the guard changes in its top offices. The reins are handed over with deliberation at the 163-year-old company.

Tom Kessinger III was a longtime financial consultant in Hilliard Lyons' Lexington office before he was named president and appointed to the firm's board in May. Since then, he has been an office neighbor most days in Louisville with Chairman and CEO James Allen.

During a joint interview in the headquarters offices overlooking downtown Louisville and the Ohio River, Allen and Kessinger discussed their roles and the central goal of maintaining the Hilliard Lyons operating culture of integrity, high ethics and professionalism that the company believes is what sets it apart from other wealth management and financial advising operations.

Allen cites especially Henning Hilliard, who led the company from the late 1950s until 1982 then continued to serve as a senior executive until his death in 2001, for setting the tone. Hilliard was chairman and CEO when Allen started at the company in 1981.

"We want to do what Henning would want us to do," Allen said, which he defines essentially as: "Do the right thing."

Henning Hilliard set in place the practice of company ownership by its managers, a version of which is the case today – Houchens Industries Inc. of Bowling Green, itself the nation's largest employee-owned company, owns 60 percent of Hilliard Lyons and HL managers own the rest. The terms of the 2007 deal when Houchens bought Hilliard Lyons from PNC Financial Services called for Hilliard Lyons management to raise at least $100 million in equity capital to share in ownership; in six weeks they raised $102 million.

Hilliard also initiated the growth of the company into first the largest Ohio Valley securities firm and today a significant brand in wealth management from Michigan to South Carolina. Hilliard Lyons operates 71 branches in 12 states. It has about 1,000 employees, half of which are in Louisville, with around 400 financial advisors.

Hilliard Lyons offers comprehensive financial services and advice, including professionally managed accounts, as well as a broad menu of investment vehicles, such as stocks, bonds, options, mutual funds, annuities and insurance to facilitate the financial strategies recommended. Hilliard Lyons specializes in planning issues that include retirement, business succession, trust and estate planning, and education funding.

For years, the firm has been the biggest advisor to school boards and fire departments all over Kentucky, Allen said, providing the expertise behind many of the significant financial moves they make. It also advises Louisville Metro government.

The core business, though, is advising the high-net-worth individual. Hilliard Lyons has $48 billion in client assets under management. It provides estate planning, has what it believes to be the state's largest trust services department and advises individuals and businesses on succession planning.

Kessinger, 48, had some 30 years association with the business when Allen and the board came to him to discuss assuming responsibility to advise and plan all of the company's services and above all else convey Hilliard Lyons' standards of practice to all of those 400 advisors.

His grandfather, Thomas Kessinger Sr., was an original principal in the Lexington firm Babbage and Kessinger Securities when it began in 1948. At age 16, Tom III was hired by his grandfather to be the office janitor while in high school. When Kessinger III completed a University of Kentucky accounting degree in 1993 and was set to take a job with the national Coopers and Lybrand accounting firm (now part of PriceWaterhouseCoopers), his grandfather convinced him instead to join Babbage and Kessinger, which had become affiliated with Hilliard Lyons in 1958.

Grandfather and grandson worked with each other daily until 2008. Kessinger's impressive eulogy at his much-respected grandfather's 2012 funeral, Allen said, made him first take note and consider him a person capable of overseeing the entire firm.

Allen and Kessinger, who make a point of mentioning that there is "a lot of mutual respect" between them, each note the successive waves of change – whether public policy and regulation or technology and business processes – that impact the structure and operation of the business. Smart phones today can access anything, almost instantly.

"Social networks popped up before our eyes," Kessinger said, "and we adjusted."

It is a technology-sensitive world, but other things remain the same.

"The investment business is a people business," Allen said.

"People like relationships," Kessinger said. "Technology gets us to the that face-to-face meeting. Technology enhances the quality of relationships, but it does not replace it."

Allen credits the efficiencies that advances in communication technology created with enabling much of the growth that Hilliard Lyons undertook. Much of that growth occurred by acquiring local firms in Kentucky, Tennessee, Ohio and Indiana that became available, made sense geographically and meshed with Hilliard Lyons' philosophy.

James Allen and Tom Kessinger with a portrait of Henning Hilliard, who established the present company culture at Louisville-based Hilliard Lyons when he was chief executive from the 1950s through 1982.

The strategy resulted in employee longevity, Allen said. Employees and advisors like it, he said, because they were not asked to push new products "or the IPO of the day" to clients.

Hilliard Lyons has sought to ensure it uses technology to build its advisory capacity, according to Allen, who cites the addition of Wells Fargo Clearing Services to its platform for operations, technical support for its advisory work stations, integration with its customer relationship management program and investor reporting and analytics.

It has adjusted as regulatory intensity has increased sharply since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. When interest rates change, the Hilliard Lyons IT department runs computer models so that it can determine the net costs and potential savings for potential refinancing of bond issues public clients have.

In August 2017, the firm named Mark Nickel, a chartered financial analyst, its first chief investment officer, creating a new position so that there would be someone empowered to speak on behalf of what Hilliard Lyons thinks and expects about interest rates, market outlooks and related issues. ■

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

Dara Arbuckle photo

The McDonalds once struggled to survive a car crash, but now are the parents of three children and a thriving young business.

A Very 'Impressive' Entrepreneur

Commerce Lexington's 2017 YP winner discusses life, business

In 2008, Laura McDonald was in a hospital bed for two months, full of "hardware" after a tragic car accident that also left her husband in a coma for a month. It was this experience, though, that McDonald believes led her to become a successful entrepreneur. Her business, Impressions Marketing & Events, won Commerce Lexington's Young Entrepreneur Award for 2017.

"My husband had to relearn how to walk and talk," she recalled. "I broke multiple bones and had to stay in a hospital bed for two months following surgeries. This experience taught me to go after my dreams now, because we aren't guaranteed tomorrow. I believe it also contributed to developing the grit needed to be persistent as an entrepreneur. Our accident was Aug. 23, 2008, and our son was born on Aug. 23, 2017. It made his birthday even more special."

Before she gave birth to the couple's son, she was busy forming Impressions and raising the couple's other two children, daughters Clarke, 7, and Sutton, 3. While Impressions incorporated in 2010, it wasn't until 2012 that McDonald began devoting time to build the business.

The company primarily helps nonprofit and small business clients make a lasting impression on their audiences through marketing and events. During its nearly five years in business, Impressions has seen consistent growth, with plans to add more employees and contractors to the team.

McDonald hails from Georgetown and attended Georgetown College, where she received an undergraduate degree in communication and media studies. She received a master's in integrated marketing communication from West Virginia University.

The business owner previously worked in a corporate position that taught her a lot about marketing and event planning through hands-on experiences.

"As my workload continued to grow, the leadership responded by bringing in consultants to help support various events or marketing purposes," McDonald said. "Not all organizations could afford these costs, and if a consultant was brought in due to workload, they couldn't spend an excessive amount of time on projects. This realization led me to start Impressions Marketing and Events, where our core tenets are to provide excellent service and results at a price small businesses and nonprofits can afford."

Her favorite parts of the job are working with people who are passionate about what they do and always learning more about communication strategies. Nothing beats authenticity and knowing the audience.

"So often, organizations start down a branding or communication path without considering their target audience," McDonald said. "Be authentic from the moment you meet someone – be it in person, online or through other channels. Too often, people and organizations try to put on a persona they believe will connect with the people they will meet. Today's audiences can tell when you are being inauthentic, and this leads to distrust and, ultimately, hurts your personal, business or nonprofit brand.

"At Impressions, we love building relationships with our clients. When we meet someone for the first time, we really work to get to know them, and we continue to find ways to build connections with individuals and organizations on an ongoing basis. It has become one of the factors for which we are known."

The Impressions owner believes that first impressions are, in fact, underutilized.

"I believe we need to extend our understanding of a first impression," McDonald said. "Because our personal and organizational brands have to break through the clutter of thousands of messages received each day, our 'first impression' may actually be the fourth or fifth time they see our brand."

McDonald's work and personal life was eventful over the summer — a new baby and big award. She said she was "surprised, excited and profoundly thankful" for the latter and that her children make her better each day.

"My kids remind me why I do what I do. I have the opportunity to work with small businesses and nonprofits that seek to make the world a better place. There is no greater gift I can give or lesson I can teach my children than working hard toward something that makes a difference," McDonald said.

Balancing it all is an ever-present challenge, and she jokes that if you don't consider sleep as a part of "balance" then her life is pretty balanced.

"I am fortunate to be able to set my own schedule, so I have the luxury of making sure I can be with my family when I need and want to be," McDonald said. "I try to find ways to involve my family in the work we are doing with clients. My daughters are excellent goody-bag stuffers, for example. While the flexibility is wonderful, I also work a lot. I like the quote about entrepreneurs that says we will work 16 hours for ourselves so we don't have to work eight for someone else. My husband jokes that my hobby is working, because I love what I do so much." *—Abby Laub*

‘Clicks vs. Bricks’

Commercial development expert talks the state of retail in Ky.

TOMMY Edwards is retail director for Louisville-based Hagan Properties, a commercial development and management company. At 33, he’s already been involved in approximately $200 million in commercial real estate deals. The nearly 1 million s.f. of properties stay almost 98 percent occupied. Earlier this year Edwards gave a presentation about current real estate market conditions and the changing face of retail, including “clicks vs. bricks.” He answered a few questions for *The Lane Report* about how demographic changes and consumer preferences are changing retail and real estate.

Tommy Edwards

TLR: How are the changes retail is undergoing impacting the retail real estate industry?

TE: E-commerce has been transforming the market for a while now. A big demographic shift also has been taking place where millennials now outnumber baby boomers. Most of the retail world, specifically specialty apparel retailers, was slow to react. Some have taken a big hit, and others have closed. Fresh opportunities are popping up with some new, inventive retailers and service providers. In commercial real estate development and management, we’re working with creative companies that are thriving in a time of strong consumer spending. It takes a proactive approach to thrive in the new economy.

TLR: What are the main differences you see in the retailers and commercial centers that are succeeding versus the closings and vacancies?

TE: The retailers that are succeeding have taken an “omnichannel” approach, meaning they do both “clicks” (online selling) and “bricks” (physical stores). Integration of the two is extremely important. For shopping centers and other retail centers, location is becoming more important than ever before because many anchor tenants are also evolving into fulfillment centers as well as stores. You see it with Kroger’s “Clicklist” service. For commercial real estate developers and managers, landing the savvy retailers is crucial. They won’t be looking to your properties unless the locations are exceptional.

TLR: How do you see millennials and their buying and spending preferences and habits influencing retail and retailers? How do they differ from baby boomers?

TE: Obviously generations aren’t monolithic, but there are general trends that stand out in deep consumer research. Millennials are more brand loyal, and they want goods and services faster than their generational counterparts. At the same time, three in four millennials would choose to spend money on an experience as opposed to buying something desirable. One of the components of retail is now entertainment because stores can’t bring in the traffic to sell goods without classes, events, interaction and socialization. And partly through harnessing data, successful retailers are training their focus on personalization to make things stand out for the consumer.

Developed by Tommy Edwards of Hagan Properties, Basecamp is a coffee shop and example of a store-within-a-store at Quest Outdoors in Shelbyville Road Plaza in Louisville.

TLR: What are your thoughts on the “pop-up” shop phenomenon, and do you view it as a viable long-term strategy for retailers and property owners/managers?

TE: It’s still shaking out. Some property owners and managers are going to any length to land tenants and stay afloat. Pop-ups and short-term leases are overused because of it. Pop-ups should be strategic. They can be seasonal draws or to test the waters on a permanent location. Brands are also using them for storytelling purposes to make a connection with the consumer that can’t be made otherwise.—*Abby Laub*

Kat’s Eye Photography

Bluegrass & Buttercream owner Shana Followell.

Sweet Success

DOWNTOWN Danville is a lot sweeter now, thanks to young entrepreneur Shana Followell. She opened her bakery, Bluegrass & Buttercream, Sept. 27 on North Third Street just off Main.

“Danville has given me such a warm welcome,” Followell said. “I have had so many guests stop in just to welcome me to the block and tell me how happy they are that I am there and doing well.”

The bakery’s front of the house has cozy couch seating and distressed wooden tables for up to 16 guests at a time, while the front door is open for patrons who want cupcakes, cookies, bourbon candied pecans, daily specialties, plus a selection of local Elmwood Inn Fine Teas and freshly ground Dry Stack coffee, a small-batch coffee whose beans are roasted in Danville. Bluegrass & Buttercream creates custom cakes for any special occasions.

“Being so young in a historic town with businesses who have been open for more years than I have been alive was definitely a bit daunting at first,” Followell said, “but I have had so much encouragement and support from those veteran business owners. I’m very honored to be part of our downtown community and more than a little relieved that I have been welcomed with open arms.” —*Kathie Stamps*

Kat’s Eye Photography photo

Followell’s cake shop creates custom cakes for any occasion, including “smash cakes” for babies.

TAX INCREMENT FINANCING PROJECTS WITH STATE PARTICIPATION

PROJECT, LOCATION	PROJECT	ELIGIBLE COST	INCENTIVE	APPROVED	YEARS
Downtown Marriott, Louisville	$122 million	$122 million	$22 million	7-11-02	20
Churchill Downs, Louisville	$125 million	$125 million	$25 million	7-12-02	20
Renaissance Zone, Louisville	Undetermined	Undetermined	Undetermined	12-8-03	20
Louisville Arena, Louisville	$435 million	$435 million	$265 million	12-19-06	20
Museum Plaza, Louisville *	$498.7 million	$498.7 million	$344.3 million	10-19-07	30
WKU Gateway, Bowling Green	$404.2 million	$404.2 million	$285.5 million	10-19-07	30
Ovation, Newport	$885.7 million	$887.6 million	$311.4 million	11-28-07	30
Nucleus, Louisville	$1.091 billion	$1.091 billion	$606.6 million	11-30-07	30
Center City, Louisville	$706 million	$706 million	$204 million	12-27-07	30
CentrePointe, Lexington	$455.3 million	$455.3 million	$48.8 million	9-24-09	30
Distillery District, Lexington *	$190.0 million	$190.9 million	$45.8 million	10-29-09	20
Manhattan Harbour, Dayton	$789.8 million	$473.1 million	$8 million	12-10-09	20
ShowProp Lexington *	$91.7 million	$91.7 million	$17.5 million	9-30-10	20
The Red Mile Project, Lexington	$186.9 million	$186.9 million	$25.3 million	8-25-11	20
UofL Research Park (Belknap)	$1.113 billion	$1.113 billion	$709.4 million	6-28-12	30
21c Museum Hotel, Lexington	$36.6 million	$36.6 million	$500,000	12-13-12	20
Oak Grove Village at Fort Campbell	$199.4 million	$199.4 million	$54 million	2-28-13	20
Georgetown Events & Commerce Ctr (p)	$327.5 million	$327.5 million	TBD	TBD	30
Paddocks of Woodford, Versailles (p)	$33.4 million	$33.4 million	TBD	TBD	20
ShelbyHurst Research & Tech Park	$831.5 million	$831.5 million	$253.9 million	12-11-14	30
Turfland Town Center, Lexington	$38.6 million	$38.6 million	$793,600	10-30-14	20
The Summit, Lexington	$155.6 million	$155.6 million	$24.1 million	9-25-14	20
Hotel Nulu, Louisville	$73 million	38.7 million	$4.3 million	6-25-15	20
Fort Mitchell Gateway (p)	$134.9 million	$134.9 million	TBD	TBD	20
Midland Avenue, Lexington	$72.1 million	$72.1 million	$4 million	1-26-17	20
Gateway Commons, Owensboro	$198.9 million	$62.1 million	$20.6 million	10-27-16	20
Downtown Owensboro	$153.9 million	$142.7 million	$24.5 million	12-8-16	20
WKT Technology Park, Mayfield (p)	$115.2 million	$61.8 million	TBD	TBD	20
Ashland Plaza, Ashland (p)	$89 million	43.5 million	TBD	TBD	20

** Inactive*
(p) Status Prelininary

Source: Kentucky Cabinet for Economic Development

The KFC YUM! Center arena in Louisville was a $435 million project.

The WKU Gateway project in Bowling Green was a $404.2 million project.

CentrePointe in Lexington is a $455.3 million project.

Participants discuss the relationship between business, local government and the arts during a workshop at the 2016 Kentucky Creative Industry Summit in Lexington. The 2017 summit will be Dec. 5 at the Morehead Conference Center in Morehead.

Convergence of the Arts and Tourism

THE arts are essential to community growth and tourism. That was the conclusion of two Kentucky mayors during a panel discussion at the Kentucky Travel Industry Association annual conference last month in Louisville.

The panel titled "Local Elected Officials Talk Tourism" included mayors and county judge-executives from across the state. Panelists discussed how and why they came to recognize the value of tourism in their respective communities.

The mayors, Brandi Harless of Paducah and Dick Heaton of Bardstown, were asked how their communities leveraged the arts to promote tourism. Harless cited noteworthy Paducah arts amenities like the International Quilt Museum, Market House Theatre and Maiden Alley Cinema. The city also benefits from its classification as a United Nations Educational, Scientific & Cultural Organization (UNESCO) City of Crafts and Folk Art, a designation Paducah earned in 2013. Heaton said Bardstown benefits from the presence of "The Stephen Foster Story" summer theater offerings, as well as a former boys' school repurposed as an arts space.

"The arts are part of the quality of life story that a community can tell," Heaton told the audience.

Business is an essential component to quality of life in a community as well, and increased tourism is good for business. The arts council encourages a relationship between business and the arts, whether it is a bank hosting an exhibit of work by a local artist or a collection of businesses banding together to sponsor a music festival that will draw out-of-town visitors.

Kentucky Creative Industry Summit

SAVE the date – Dec. 5 – for the fourth annual Kentucky Creative Industry Summit in Morehead. There will be educational tracks for arts educators and teaching artists, and participants who are interested in community development through the arts.

There will be a report on the arts council's partnership with National Endowment for the Arts and the Tennessee Arts Commission on the NEA's Creative Forces initiative. Creative Forces serves the unique and special needs of military patients and veterans who have been diagnosed with traumatic brain injury and psychological health conditions, as well as their families and caregivers.

The summit will also include training tracks for individual artists to elevate the day-to-day business operations of their creative businesses. Sessions will focus on social media, legal issues, taxes and financing, pricing, wholesale and new accounts.

The arts council will also update participants on its progress with the $51,000 USDA grant to incorporate the arts into farmers markets. Workshops offered at the summit include topics such as maximizing folk and traditional arts in the community and building relationships to benefit community development through the arts. The sessions are ideal for community elected officials, tourism personnel and others who work in community and economic development.

The summit enables business leaders in Kentucky communities to connect with individual artists and arts leaders for conversations about how to bring the creative industry to the table for the benefit of community and economic development.

Shop Small and Give a Gift Made in Kentucky

SMALL Business Saturday is Nov. 25, and the Kentucky Arts Council is encouraging Kentuckians to shop locally, whether for themselves or for family gifts. As part of that effort to promote local shopping, the arts council has launched its annual Give a Gift Made in Kentucky campaign. Artists whose works and events are part of the 2017 campaign are members of the Kentucky Crafted, Performing Artists or Architectural Artists directories, or they are Al Smith Individual Artist Fellowship recipients.

Work by artists in the arts council's Kentucky Crafted program is represented not only in their own studios, but also in the shops of 29 Kentucky Crafted retailers in Kentucky and Ohio, listed at artscouncil.ky.gov/ KAC/Creative/ retailers.htm. Kentucky Crafted retailers offer a wide variety of merchandise and actively promote the Kentucky Crafted brand. It's a distinction available to gift shops, galleries and other businesses that sell art and craft. If you own a business and are interested in becoming a Kentucky Crafted Retailer, contact Dave Blevins, the arts council's arts marketing director, at david.blevins@ky.gov or (502) 892-3120.

The arts council is urging shoppers to plan their holiday shopping excursions around Kentucky Crafted retailers to find quality craftsmanship and artistic excellence from Kentucky Crafted artists.

Shoppers are able to support local shops and local charities at LuciaSoapsEtc in Henderson, Ky., where sales of its Helping Hands Soaps generate donation to a different local charity each month.

Town Branch Distillery in Lexington offers a private Master Distiller Tour of both the Kentucky Ale brewery and Town Branch distillery led by master distiller Mark Coffman. It includes tastings of beer and/or distilled spirits as well as a Town Branch rocks glass. Reservations should be made at least one month in advance.

Give a Kentucky Hug for the Holidays!

Find the holiday spirit along Kentucky's bourbon trails

BY KATHERINE TANDY BROWN

IT'S holiday season once again. How did that happen? Time seems to go faster as the years get busier. And unless you're one of those supremely organized individuals who collect gifts for holiday giving all year long – and trust me, they are in the minority – you're probably starting a slow panic about what you'll be giving whom toward the end of December.

Well, fear not…for the Commonwealth of Kentucky, birthplace of bourbon and its burgeoning industry, have you covered with that perfect something for absolutely everyone on your list – especially if they love that sumptuous sipper.

You can make it easy by just finding out their favorite brand from an ever-growing, mind-boggling selection, and surprise them with a bottle under the Christmas tree. Big points for that.

However, if you give the gift of a journey along the Kentucky Bourbon Trail (KBT) and/or the Kentucky Bourbon Trail Craft Tour (KBTCT), you can go with them and smell that caramel-and-vanilla angel's share yourself! You'll plan the adventure, foot the bill(s) and tag along for quality time with a friend(s) or family member(s). A total win/win.

Each distillery offers its own distinct spin on tours and tastings. At Maker's Mark (KBT), for instance, you'll wander back in time amid black-and-red buildings and meandering limestone springs, learn about bourbon made the old-fashioned way and get to dip your own bottle in Maker's Mark's famous red wax. Wild Turkey Distillery (KBT), on the other hand, boasts virtual distillery tours for young and tech-savvy guests at iPad stations and a peek at its old Vendome still that now sits in the new visitors center that overlooks High Bridge, stretching 280 feet over the Kentucky River.

A number of craft distilleries, such as Limestone Springs (KBTCT) in Lebanon make and sell "white lightnin'," a pre-bourbon distilling product. There you can prove your spunk by tasting Moon Pie Moonshine, served by Head Distiller Steve Beam, the last Beam actively distilling from generations of bourbon-making Beams.

Corsair Distillery (KBTCT) in Bowling Green, which Begun in a garage, gives visitors a focus on its experimentation with a provocative variety of botanicals and the science behind distilling.

The more individual stops you make on the Trail, the finer your palate will become in selecting brands that really appeal to you. And the closer you and your guest will come to morphing into true bourbon snobs…er…aficionados.

You'll absorb the history and traditions surrounding Kentucky's intriguing liquid economy-booster. After all, about 95 per-

The Kentucky Bourbon Trail
kybourbontrail.com

Angel's Envy (Louisville)
angelsenvy.com

Bulleit Frontier Whiskey Experience (Louisville)
bulleitexperience.com

Evan Williams Bourbon Experience (Louisville)
evanwilliamsbourbonexperience.com

Four Roses Distillery (Lawrenceburg, Cox's Creek)
fourrosesbourbon.com

Heaven Hill Bourbon Heritage Center (Bardstown)
bourbonheritagecenter.com

Jim Beam American Stillhouse (Clermont)
Urban Stillhouse (Louisville)
jimbeam.com

Maker's Mark Distillery (Loretto)
makersmark.com

Town Branch Distillery (Lexington)
townbranchdistillery.com

Wild Turkey Distillery (Lawrenceburg)
wildturkeybouron.com

Woodford Reserve (Versailles)
woodfordreserve.com

The Kentucky Bourbon Craft Trail (kybourbontrail.com/craft-tour/) is growing all the time, with new handcrafted brands of bourbon. As of Oct. 2017, members included **Barrel House Distilling Co.** (Lexington), **Bluegrass Distillers** (Lexington), **Boone Co. Distilling Co.** (Boone Co.), **Corsair Distillery** (Bowling Green), **Hartfield & Co.** (Paris), **Kentucky Artisan Distillery** (Crestwood), **Kentucky Peerless Distilling Co.** (Louisville), **Limestone Branch Distillery** (Lebanon), **MB Rowland Distillery** (Pembroke), **New Riff Distilling** (Newport), **Old Pogue Distillery** (Maysville), **Wilderness Trail Distillery** (Danville) and **Willett Distillery** (Bardstown).

cent of the country's bourbon is made here. And of course, you'll find brand-related gifts at every spot. We're talking T-shirts, tote bags, tumblers, silver flasks, coffee table books and bar towels that tout bourbon to be a vegetable.

Explore your target distilleries' websites first to nail tour times and to package a few other options. Perhaps a private connoisseur tasting at Heaven Hill's Bourbon Heritage Center (KBT) in Bardstown, the Bourbon Capital of the World, or an expanded 90-minute Distiller's Tour and Seminar at New Riff Distilling (KBTCT) in Maysville.

Follow bourbon-centric links for other ideas. Peruse the Kentucky Bourbon Marketplace (kybourbonmarketplace.com) for all things bourbon. Amaze your giftee with an Eat Your Bourbon cooking class at, or a gourmet gift box chock full of bourbon treasures from Bourbon Barrel Foods (bourbonbarrelfoods). Yum!

How about a gift certificate to Bourbon University at The Chapeze House in Bardstown (kentuckybourbonhouse.com) for two hours of bourbon background, premium tastings and a Kentucky-style lunch? For Booker Noe wannabes, MB Roland's April 2018 Camp Distillery is a two-day intensive "start your own distillery" class in Pembroke. Or choose the pricier, five-day variety at Moonshine University in Derby City's Distilled Spirits Epicenter (moonshineuniversity.com). You'll make someone very happy!

Four Roses Distillery Visitor Center in Lawrenceburg. Access to the distillery itself is limited currently because it undergoing a major expansion that will be completed the latter part of 2018.

To find out about the above-mentioned options – and many more – grab your calendar, pour yourself a tumbler of America's Native Spirit, go to the KBT website (see boxed info), and rock on with planning your experience.

By the way, though Buffalo Trace is no longer part of the KBT, the Frankfort distillery offers tours, tastings and bourbon-themed gifts galore.

To keep your Bourbon Trail tasting experience safe, leave the driving to a non-imbibing source, such as Mint Julep Tours (mintjuleptours.com), and learn some bourbon industry history and fun facts along the way.

If you're looking to add an overnight to your bourbon-seeking wanderings, check out bourboncountry.com.

Smack in the middle of the action in downtown Louisville, the eclectic flagship 21cMuseum Hotel has rooms that radiate uncluttered upscale taste with an eye for contemporary art, while its Proof on Main combines farm-to-table food and a best American hotel bar award with bourbon cocktails galore.

Want cozier? Many Bourbon Country bed and breakfast inns – such as Bardstown's Bourbon Manor Bed and Breakfast, with its bourbon bar and bourbon-treatments spa – are adding "another B," so you won't have to go without your favorite libation for a minute.

After all, bourbon warms the heart. Says Jim Silliman, tour guide at family-run Willett Distillery (KBTCT) in Bardstown, "The sting in your throat from bourbon…that's a Kentucky hug!" ■

Brothers Steve Beam, left, and Paul, right, with their father Jimmy Beam at Limestone Branch Distillery in Lebanon.

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

New Report Outlines Alarming Rise in Ky. Disability Recipients

A new report released in October reveals a staggering 249 percent increase in the number of Kentucky adults and children receiving disability benefits over the past 35 years.

The report was prepared by Kentucky's Disability Determination Services (DDS), within the Cabinet for Health and Family Services (CHFS) and presented at the Kentucky Work Matters task force meeting in Frankfort.

The study of outcomes covered the timeframe between 1980 and 2015. During that time, Kentucky's population grew by 21 percent while its combined disability enrollment grew by 249 percent. Childhood enrollment growth was 449 percent.

In 2015, 11.2 percent of Kentuckians were receiving some form of disability benefit payment, which is the second highest percentage in the country. Since 2002, the percentage of Kentucky's population receiving disability payments has never fallen below second among all states.

A statement released by the state noted that as the disability rolls have increased, so has the rate of controlled substance prescriptions. Per capita opioid prescriptions for SSI/Medicaid adult recipients have increased from 47.58 doses in 2000 to 147.29 doses in 2015, a 210 percent increase. Per capita psychotropic prescriptions SSI/Medicaid children have increased from 272.61 doses in 2000 to 456.87 doses in 2015, an increase of 168 percent.

The report also provides information on the physical and mental conditions that lead to disability awards. The top five overall conditions are musculoskeletal system diseases (33.4 percent), mental disorders (32.8 percent), diseases of the circulatory system (7.8 percent), diseases of nervous system and sense organs (7.8 percent) and diseases of the respiratory system (3.5 percent).

The report states "Social Security disability benefit dependence should be created by genuinely disabling conditions which permanently preclude individuals from ever performing remunerative work. For people so afflicted, the integrity and solvency of the system must be preserved. Tragically, some individuals in Kentucky have never experienced life without public assistance." The report noted that "as a bureaucratic institution, the SSA is motivated to protect and, if possible, expand the scope of its activities across the full horizon of its operational domain. For the SSA, claims and beneficiaries equal budget. This simple equation drives the SSA's internal culture thereby making it a significant obstacle to long-term change."

The report recommends reforming the SSA and an overhaul of the SSA Program Operations Manual System.

"This report is the first of its kind to have ever been issued by an individual state," said CHFS Secretary Vickie Yates Brown Glisson. "Its findings shed new light on the misuse and abuse of a vital program intended to help disabled citizens. It also illuminates one of the main drivers of our prescription drug abuse epidemic while offering solutions as to how we stem the tide of prescription and public assistance dependence. The good news from grim findings is that we can re-assert control of our future and make it better for all Kentuckians."

Top 12 Counties Receiving Disability Benefits in 2015

1	**Wolfe**	24.92%
2	**Owsley**	24.64%
3	**Breathitt**	23.80%
4	**Clay**	22.88%
5	**Magoffin**	22.30 %
6	**Floyd**	20.97%
7	**Lee**	20.21%
8	**Leslie**	20.07%
9	**Martin**	19.29%
10	**Harlan**	18.91%
11	**Perry**	18.81%
12	**Bell**	18.40%

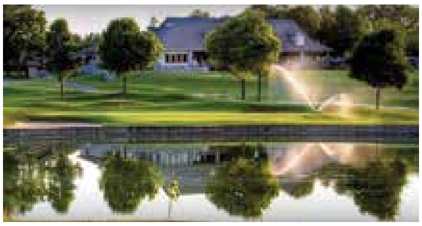
Nicholasville's Champions Trace Selected to Host PGA Tour Tournament

PGA officials announced in October that Champions Trace in Nicholasville has been selected to host the 2018 Barbasol Championship.

It will be the first PGA Tour tournament to be held in the state since the Kentucky Derby Open was contested in Louisville from 1957-59. Gary Player claimed his first tour victory in the 1958 event. PGA Tour Champions also held the Bank One Classic in Lexington from 1983-97. For the last three years, the Barbasol Championship has been held at the Robert Trent Jones Golf Trail Grand Championship course in Opelika, Alabama.

Last July, Grayson Murray emerged from a Barbasol Championship field that included seven major championship winners to claim his first PGA Tour victory.

The tournament will carry a purse of $3.5 million and award 300 FedExCup points to the champion. Officials are looking to make the 2018 Barbasol Championship a regional celebration that showcases the Bluegrass State and area attractions, including its famous horse farms and distilleries. The tournament is expected to have an economic impact in excess of $20 million.



Noted designer Arthur Hills designed the Champions Trace golf course in Nicholasville.

Since opening in 1988, the Champions Trace course has played host to a number of championships, including the 1994 USGA Senior Amateur, the 1993 NCAA Division One Men's Championship, the Southeastern Conference Men's and Women's Championships, the Women's Western Open, the Kentucky State Amateur and multiple Kentucky Opens. Consistently ranked as one of the best courses in Kentucky, Champions' final three holes are expected to provide drama with the drivable par-4 16th, difficult par-4 17th and the par-3 18th, which will be surrounded by premium hospitality and fan amenities.

"We are excited to bring the PGA Tour and our players to Lexington in 2018," said Andy Pazder, the tour's chief tournaments and competitions officer. "We have been looking for the right opportunity to return to the area as it has been 20 years since we last held a PGA Tour Champions tournament in Lexington. With the Bluegrass Sports Commission as the tournament's host organization and bd Global as the tournament operator, having a great facility in Champions and, of course, Barbasol as the title sponsor, we have a strong partnership in place that will make the 2018 Barbasol Championship a tremendous success."

Wikimedia photo

Taking the Mystery out of Cybersecurity Terms

CYBERSECURITY issues seem to be rising to the forefront with increasing frequency, making it imperative to be well informed in order to protect both your identity and your assets. But if tech-speak isn't your first language, it can be difficult to be as knowledgeable as you should be. In an effort to demystify the issue, the University of Kentucky Information Technology Services department has compiled an explanation of some of the more commonly used cyber terms.

Cybercrime: Cybercrime is the act of using a computer or other internet technology as a tool to commit illegal acts. Examples include piracy, phishing, fraud and identity theft.

Pwned: Commonly used by gamers, "pwned" is computer slang, meaning "own." For example, if you're playing a game and another player beats you he can say that he "pwned" you. In cybersecurity, being "pwned" means that a hacker has gained control of your computer.

Torrent Files: Files that are constantly moving across a network. Torrents are tagged so that any particular torrent can be located from anywhere on the network with the correct software.

Malware: Malware (aka malicious software) is a software file or program that has the power to contaminate your computer by infecting it with viruses, worms, spyware, trojans (malware disguised as legitimate software) and more. Malware can steal, delete, encrypt, hijack and alter sensitive personal data. Malware comes through the internet via email, software downloads and torrent files. If you have frequent spam pop-ups, your computer is extremely slow or it crashes often, you're likely a victim of malware.

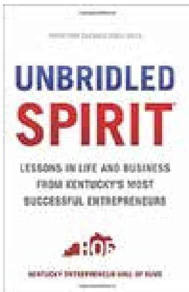
To prevent malware contamination, purchase an antivirus protection program such as Microsoft Essentials, Bitdefender or Avira.

Ransomware: Ransomware is a type of malware that locks your computer screen or files by freezing it, preventing access until a ransom is paid. This happens mainly with large organizations and companies like universities, hospitals and banks. Ransomware generally starts with the appearance of an unusual file or notification on the screen that will not allow you to use your computer, followed by instructions on how to pay the ransom. Ransomware can be accidently downloaded from websites, attachments from spam emails, or from a payload (component of a computer virus that executes a malicious activity). Ransom is asked in the form of money, gift cards and bitcoins so that the receiver cannot be traced. Paying the ransom does not guarantee your system will be unlocked.

To protect yourself from ransomware attacks, avoid clicking on links and opening attachments from strangers. Avoid any phone calls where the caller is demanding an immediate payment for a civil or criminal offense for which they are claiming you are responsible. Consider all of your alternatives to ensure that you're backing up your most critical data in the safest way possible.

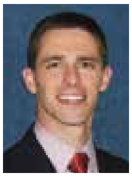
DDOS (Distributed Denial of Service) Attack: DDOS is a single attack on your computer system from multiple systems that have been compromised by malware. This attack creates an overload of incoming traffic and messages, causing the system to shut down. DDOS attacks utilize botnets (machines that have been compromised) through attachments and emails containing malicious software. Once a system has been compromised, the attacker controls the systems, instructing them to flood your site with fake requests. The attack can last anywhere from minutes to months, depending on how long the attacker decides.

New Book Celebrates Kentucky Entrepreneurs



ENTREPRENEURIAL activity in Kentucky is thriving these days, with people across the commonwealth working to develop their innovative ideas into businesses that compete in the broader marketplace. And today's generation of entrepreneurs can derive great inspiration from the stories of those who have come before them. That's the theme of a recently published book put together by two young University of Kentucky alumni who are based in downtown Lexington.

Brian Raney



Luke Murray

Brian Raney and Luke Murray, co-founders of tech business incubator Awesome Inc., have collected the stories of former Kentucky governor, John Y. Brown Jr. of KFC; businessman and philanthropist Bill Gatton; broadcaster and collegiate marketing legend Jim Host; former UK president and founder of Projectron and Data-Beam Lee T. Todd Jr.; and many others, and compiled them into a volume entitled, "Unbridled Spirit: Lessons in Life and Business from Kentucky's Most Successful Entrepreneurs."

The common thread connecting those featured in the book is that all are members of the Kentucky Entrepreneur Hall of Fame.

"You don't have to go beyond the borders of the Bluegrass State to find wonderful examples of individuals who dreamed big dreams, took chances, worked hard and prospered through their entrepreneurial activity," Raney said. "Many of the people featured in this book came from working-class backgrounds and believed in the power of education and personal drive to help them achieve great things."

The book was released in early October.

LOUISVILLE: LEADERSHIP LOUISVILLE TEAMS COMPETE IN CHALLENGE TO RAISE SUPPORT FOR NONPROFITS

Six Leadership Louisville teams recently competed in the Yum! IGNITES Louisville Challenge, in which teams undertake a project to support a local nonprofit organization. The team working with Dogs Helping Heroes – which provides trained service dogs to wounded warriors and first responders to help mitigate their disabilities – was selected as the winner of the challenge and received a $1,500 prize for the organization from the Yum! Brands Foundation. Pictured here with the trophy are (left to right) Cassandra Webb, Louisville Urban League; Lindsay Wehr, University of Louisville; Lauren Colberg, LG&E and KU Energy; Keith Joy, BAE Systems; Lara Thompson, Crowe Horwath; Alan Oca, Restaurant Supply Chain Solutions; Jeff Greer, The Courier-Journal and Angie Stokes, Harshaw Trane.

LOUISVILLE: HEAVEN HILL DISTILLERY CELEBRATES $25 MILLION EXPANSION OF ITS BERNHEIM FACILITY

Heaven Hill Distillery held a dedication ceremony on Oct. 16 at its Bernheim facility to celebrate the completion of its recent $25 million expansion project in Louisville that brings its capacity to 400,000 barrels per year. In conjunction with the opening, the Bardstown-based company announced a partnership with Dare to Care to address hunger relief in the West Louisville area and made a $10,000 donation. Pictured here at the celebration are (left to right) Heaven Hill Vice President of Marketing Kate Latts, CFO Mark Pulliam, Chief Operating Officer Allan Latts, Master Distiller Denny Potter, Director of Trade Relations Larry Kass, Director of Corporate Analysis/Western Division Sales Manager Andy Shapira, President Max Shapira and Vice President of Human Resources Debbie Morris.

HAZARD: KENTUCKY POWER EMPLOYEES HELP WITH HURRICANE RELIEF EFFORT

Kentucky Power employees were among those who headed to Texas and to help restore power in the aftermath of the devastating hurricane that hit the state in August. Ronnie Rice (above), a line mechanic in Hazard, was among about 100 Kentucky Power employees to help out in Texas, spending two weeks working 16-hour days to help restore power. Philip Hicks (below, left) and Jim Mullins, both line crew supervisors for Kentucky Power in Hazard, dug into their pockets to help those affected by Hurricane Harvey, providing money to some of the thousands of Texans impacted by the storm. Hicks also traveled to Texas to help with the relief efforts.

HIGHLAND HEIGHTS: FORMER SCRIPPS CEO RECEIVES NKU ALUMNUS AWARD

Northern Kentucky University Board of Regents Chair Rich Boehne was honored in September with the 2017 Outstanding Alumnus of Kentucky Award. The OAK Award honors outstanding graduates for achieving statewide or national recognition in their careers and for exhibiting a lifelong affection for both their alma mater and Kentucky. Boehne retired in August from his role as president, CEO and chairman of the board of Cincinnati-based media company E.W. Scripps. Pictured here with Boehne (right) is NKU Interim President Gerry St. Amand.

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