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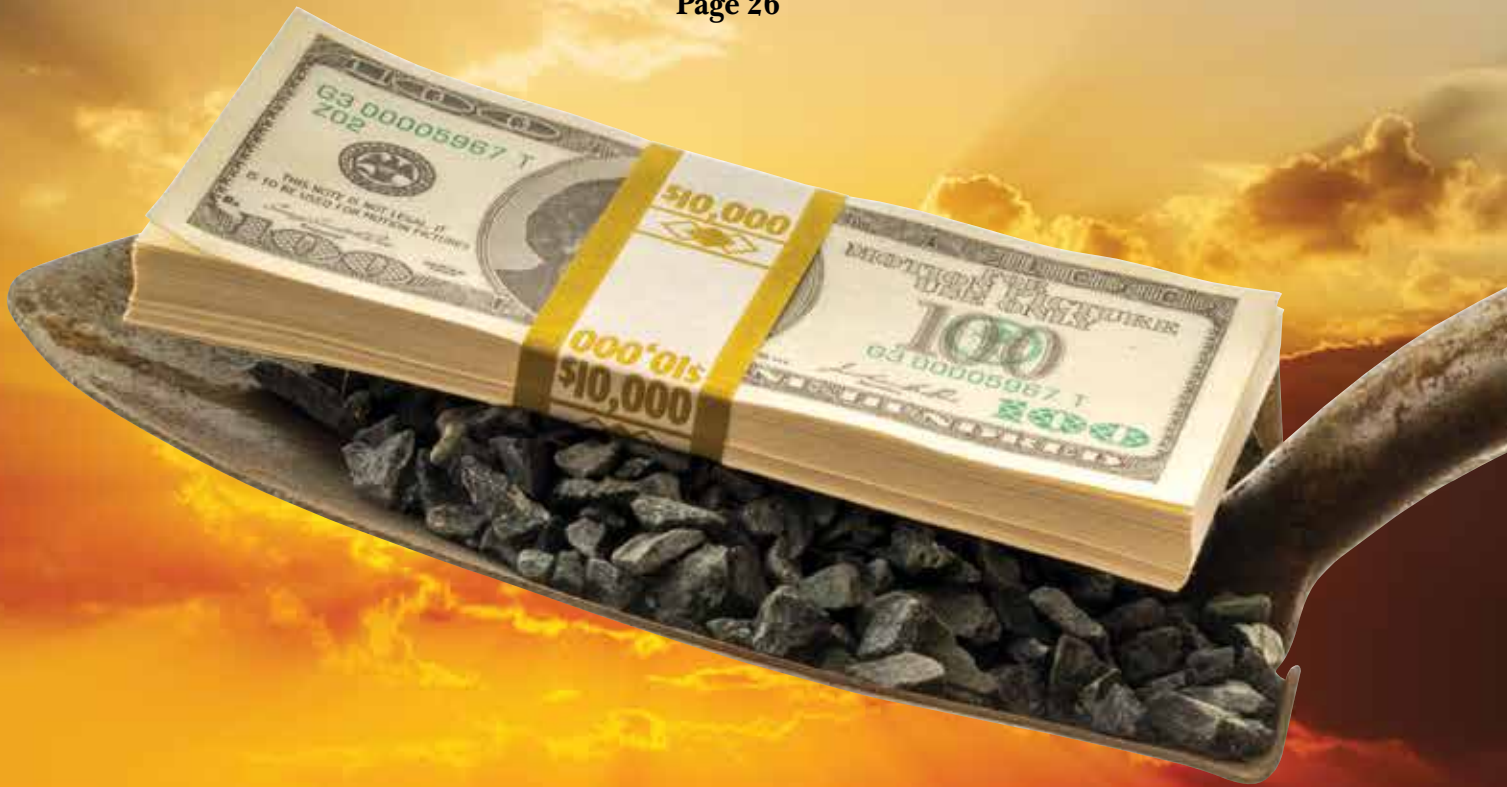
MARCH 2018

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PRIVATE FINANCING FOR PUBLIC INFRASTRUCTURE

A new fund formed by Kentucky community banks wants to
put its money into projects so taxpayers don't have to

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Kentucky's BEST BETS

Business growth throughout Kentucky is critical to the continued expansion of Kentucky's economy and vital to job creation throughout the Commonwealth. In conjunction with The Lane Report, Dean Dorton is proud to recognize the distinct and esteemed companies that are impacting Kentucky's economic expansion through Best Bets 2017!

The Best Bets list is based on several factors including the revenue growth for the last three years, employee investment, capital expansion, addition of new services, and other achievements.



Showcasing the *success* of Kentucky's thriving businesses.

Company	Headquarters	Year Founded
Accuserv	Louisville	1998
Bates Security	Lexington	1984
Buzick Construction	Bardstown	1937
Car Keys Express	Louisville	2002
eCampus.com	Lexington	1999
Kentucky Kingdom	Louisville	2013
Payment Alliance International	Louisville	2005
Pitman Creek Wholesale	Danville	1993
SkuVault	Louisville	2011
TiER1 Performance Solutions	Covington	2002
US WorldMeds	Louisville	2001

Congratulations to the 2017 winners!



Look for Kentucky's Proof to hit your mailbox in April, highlighting each of the companies listed above and featuring meaningful insights into what these companies are doing to succeed year after year.



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Six Kentucky community banks have created the Commonwealth Infrastructure Fund to participate in funding public-private partnership projects. The six banks each committed \$25 million to CIF, which is believed to be the first fund of its kind in the nation. (Photo illustration by Paul Blodgett/pjb-marketing.com)



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PERSPECTIVE

RAISE REVENUE, CUT COSTS, SAVE LIVES

Cigarette taxes best investment
Kentucky could make in itself

BY MARK GREEN

ONE of the biggest win-wins Kentucky residents get is when their legislators raise cigarette taxes. And the bigger the increase, the bigger the win. Higher cigarette taxes not only raise much-needed revenue, they are an investment in seriously lowering spending needs in the future. It also communicates to the world that Kentucky's priorities are changing for the better.

Among the biggest challenges in approaching the issue of raising cigarette taxes is trying to list all the benefits.

Sixty-nine percent of registered Kentucky voters favor a \$1 cigarette tax hike, according to Mason Dixon Polling & Strategy, a respected national opinion survey firm. Support rises to 73 percent when those polled are told a \$1 tax would raise about \$250 million a year for Kentucky and prevent about 20,000 kids from becoming smokers.

Legislators need to provide more revenue for state government. Paying down the state's unfunded pension liability is absolutely the responsible thing to do – Gov. Matt Bevin deserves great credit for making this happen – but it means very painful spending cuts in vital public services such as education. Education needs more support rather than less if Kentucky is to achieve its goals.

Comprehensive tax reform is the key to supporting Kentucky's public services, which provide the foundation necessary for private-sector successes. Yet, achieving that goal remains politically difficult.

The degree of difficulty for raising tobacco taxes and revenue is almost nonexistent though – see the public-support facts above. The pressure to do so, in fact, is significantly greater than that against.

Immediate revenue benefits in the next biennium are only the beginning of the payoff. The real benefits will be seen in future health outcomes. Kentucky has the highest overall cancer incidence and mortality rates in the nation. The main culprit in this excessive cancer incidence is lung cancer, which is caused primarily by Kentucky's highest-in-the-nation smoking rate.

While the human cost of this is incalculable, the cost of medical care to treat cancer is calculable – it is breathtakingly high and costs Kentucky taxpayers hun-

dreds of millions of dollars a year for just the patients covered by Medicaid. Imagine surgically removing that liability from the state's budget obligations.

Fortunately, there is a known tool for decreasing the incidence of smoking and its related health problems: increase the price.

The Coalition for a Smoke Free Tomorrow, which comprises nearly 150 organizations in the commonwealth, supports an increase in Kentucky's excise tax of at least \$1 a pack on cigarettes and parallel increases on other tobacco products. Research shows increasing the price of cigarettes significantly reduces smoking among the most price-sensitive populations: young, beginning smokers as well as a large cohort who also deserve attention – those with alcohol, drug or mental disorders.

More than 40 percent of those who smoke in Kentucky and the United States also have alcohol, drug or mental disorders. According to the Coalition for a Smoke Free Tomorrow, a 10 percent price increase would result in an 18.2 percent decline in smoking among persons living with a mental illness or a substance-use disorder.

Every year, smoking kills 8,900 Kentuckians, more than six times the number who died in 2016 in the commonwealth's opioid crisis. Nationwide, smoking kills more than 200,000 persons living with mental illness every year.

Those in socio-economic distress are another especially vulnerable Kentucky population. Cancer-risk behaviors such as smoking or not being screened are closely tied to high rates of poverty and low educational attainment, a University of Kentucky Markey Cancer Center analysis found. While 14 percent of the U.S. population lives below the federal poverty level, the rate is as high as 42 percent in Kentucky Appalachian counties where smoking rates are highest.

A \$1 a pack cigarette tax hike would be about a 20 percent increase in price, which could reduce smoking by nearly 40 percent in vulnerable populations.

What would you think about legislators who reduced the state's smoking rate, cut Medicaid costs by many tens of millions of dollars, and raised \$250 million in revenue that could better fund educational attainment, which is highly likely to lower smoking rates further? What would people outside the state think?

We suggest everyone would be impressed. ■



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



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STATE: LED BY AEROSPACE, KENTUCKY'S EXPORT FIGURES ROCKET TO \$31B FOR 2017, SHATTERING PRIOR RECORD

KENTUCKY exports soared to record levels in 2017, topping \$30 billion for the first time ever.

The official data from the U.S. Census Bureau puts the Kentucky export total for 2017 at \$30.9 billion, an increase of 5.8 percent over 2016.

Kentucky goods were sent to 198 countries in 2017, with the top five destinations being Canada, the United Kingdom, France, China and Brazil. Countries posting the largest gains in exports from Kentucky were Iraq (540 percent), Morocco (255 percent), Tunisia (172 percent), Kazakhstan (167 percent) and Guatemala (109 percent.)

The increases in exported goods came primarily from Kentucky-made products such as aerospace parts, transportation equipment, electronics and Kentucky's signature industry, bourbon.

When compared on a per capita basis, Kentucky ranks fifth in the nation for exporting. Record shipments in four of the past five years show that the Kentucky export machine continues to gain momentum. Since 2012, Kentucky enterprises have grown the state's exports by 40 percent.

Transportation equipment exports – comprised of finished motor vehicles and components and aerospace products produced by companies such as **GE Aviation** in Madisonville and **Safran Landing Systems** in Walton – ranked as the No. 1 export category, accounting for \$17.6 billion and over 55 percent of Kentucky's total exports. Industry sectors posting the largest percentage gains abroad were: fruit and tree nuts (608 percent), ships and boats (510 percent), timber and logs (132 percent), boilers and tanks (79 percent) and architectural and structural metals (68 percent).

Top Growth Categories for Kentucky Exports (2017)

CATEGORY	GROWTH
1. Aerospace Products	\$11.7 billion (up 8%)
2. Motor Vehicles	\$5.9 billion (up 21%)
3. Computers & Electronics	\$3.3 billion (up 14%)
4. Bourbon	\$381 million (up 29%)
5. Agricultural & Construction Equipment	\$250 million (up 31%)

LOUISVILLE: FORD INVESTING \$25 MILLION TO BOOST SUV PRODUCTION IN RESPONSE TO ACCELERATING DEMAND



Ford photo

Ford's latest investment in the Kentucky Truck Plant is part of the company's plan to increase the facility's manufacturing line speed.

FORD Motor Co. has announced plans to invest \$25 million in its **Kentucky Truck Plant** in Louisville to help meet greater-than-anticipated demand for its popular full-size sports utility vehicle.

The company is using advanced manufacturing technologies and an "upskilled" workforce to increase line speed at the plant to build even more **Lincoln Navigator** and **Ford Expedition** SUVs, boosting production targets approximately 25 percent since last fall when the SUVs hit the market.

The latest \$25 million investment for additional enhancements to increase manufacturing line speed brings Ford's total investment at Kentucky Truck Plant to \$925 million. Upgrades include 400 new robots and a new 3D printer that enables workers to make parts and tools more quickly and cheaper as well as enhanced data analytics to keep the assembly line moving as efficiently as possible. The plant also added a robot lab, where employees can test out software tweaks or troubleshoot issues away from the factory floor.

According to Ford, dealers can barely keep the new Navigator models on their lots: Both the Navigator and Expedition models are there an average of only seven days before being sold.

Navigator sales more than doubled in January compared to the previous year while Expedition sales were up nearly 57 percent.

To ensure customers can get vehicles as quickly as possible, Kentucky Truck Plant assembly line workers have been working overtime and voluntary weekend shifts.

PAINTSVILLE: NEW INSTITUTE TO TRAIN E.KY WORKERS IN ROBOTICS, CNC MACHINES

A new 40,000-s.f. workforce training facility has opened in Paintsville with a goal of building a skilled workforce that will help attract advanced manufacturing to the Appalachian region of the state.

The **HAAS eKentucky Advanced Manufacturing Institute** (eKAMI) offers 16-week training programs utilizing state-of-the-art equipment to train workers for positions that require computer numerical control, machine building and tool maintenance skills for the aerospace and advanced manufacturing industries.

"For Kentucky to remain the center for excellence in America for engineering and manufacturing, we need a steady supply of the most qualified and highly trained workers," said Gov. Matt Bevin. "The opening of HAAS' eKAMI, as well as its partnership with the Advanced Robotics for Manufacturing (ARM) Institute, will provide the next

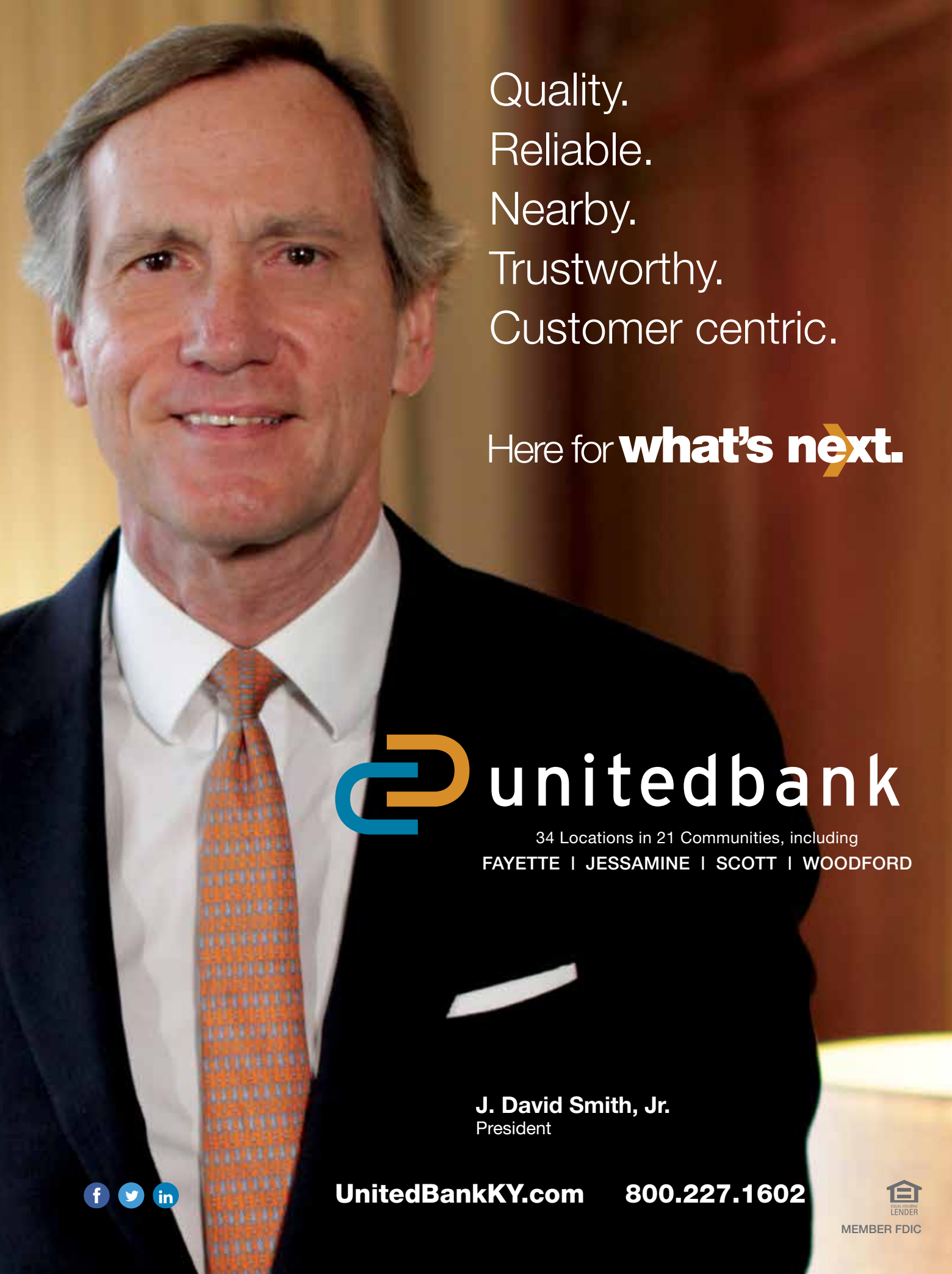


The new HAAS eKentucky Advanced Manufacturing Institute will offer training programs to help develop the skilled workforce needed to draw more jobs to Eastern Kentucky.

generation of Kentucky's skilled workforce with training opportunities in both HAAS CNC machines and robotics."

The new institute was initially funded by a \$1.5 million grant from the **Gene Haas Foundation** and has subsequently received a \$2.5 million grant from the Kentucky Division of Abandoned Mines in addition to donations from the private sector.

"We're thrilled to bring modern manufacturing to the mountains," said eKAMI Director Kathy Walker, who worked for 30 years in the coal industry before establishing the institute. "This is about diversifying the region's economy and finding sustainable answers, about taking our hard-working Appalachian workforce of today and preparing them for the jobs of tomorrow."



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BUSINESS BRIEFS

ASHLAND

■ **Kentucky Power** is building approximately three miles of 138-kilovolt transmission line and a new substation to provide electric service to **Braidy Industries'** planned aluminum mill facility in the EastPark Industrial Center. Once complete, the work will provide the 1,000-acre business park with a strong, reliable power source capable of handling continued customer growth.



BARDSTOWN

■ The **Kentucky Distillers' Association** has opened a satellite office in Bardstown to better support the growing number of distilleries located in the area. The nonprofit trade group is headquartered in Frankfort and also has a satellite office in Louisville at the **Frazier History Museum** on historic Whiskey Row. "Bardstown is certainly at the heart of the tremendous momentum that 'bourbonism' is enjoying all over the world, so having a KDA office there seems like a natural," said KDA Board Chairman Rob Samuels, chief operating officer at **Maker's Mark**. KDA staff will rotate office hours at the new site.

BEREA

■ **Berea College** officials have announced the successful conclusion of a \$10 million campaign to build a state-of-the-art campus building to house the natural sciences and nursing departments. The new 125,000-s.f. structure, named the Margaret A. Cargill Natural Sciences and Health Building, will open for the fall 2018 semester.

BOYD COUNTY

■ **Kentucky Electric Steel** has closed its plant in Ashland, where it produced a wide variety of bar flat items used by the automotive industry and other markets for more than five decades. The closing eliminates 113 jobs.

BOWLING GREEN

■ **Owl's Head Alloys Inc.** is investing \$3 million to add a fourth furnace at its aluminum recycling operation in Bowling Green. Owl's Head sorts and shreds recycled aluminum products such as beverage cans, signage, siding and wheels, then melts the processed aluminum to customer specs and casts it into ingots, sows or provides it in molten form for companies in the automotive, beverage and construction industries. The additional furnace will increase operation's capacity by 60 million pounds of scrap annually atop the facility's current 240 million pounds. The company plans to hire 17 more workers as part of the expansion, bringing the company's total employment to nearly 100.



■ **Western Kentucky University** President Timothy Caboni announced in February that the university is eliminating 140 jobs as it works to deal with enrollment declines, increased fixed costs and decreased state funding. Forty of the positions are being eliminated through attrition, with the remainder being cut to meet targeted budget reductions. In addition, academic programs in the University College – which serves nontraditional students – will be moved to other colleges across the institution and functions within University College will be consolidated to eliminate duplicate campus support systems.

COVINGTON

■ **CTI Clinical Trial and Consulting Services**, a Covington-based contract research organization that specializes in clinical research programs for critically ill patient populations, has opened offices in Singapore as part of the company's strategy to expand its clinical research offerings across Asia. CTI established their Pacific-Asia headquarters in Sydney, Australia, several years ago and has opened more than a dozen offices in the last few years, with additional expansion planned for Asia over the next 12-18 months.

ERLANGER

■ **Delta Air Lines** continues to ramp up its flight schedule out of the **Cincinnati/Northern Kentucky International Airport**, adding new service to Austin and Phoenix beginning May 1 and Nov. 4, respectively. In addition, the carrier's summer season nonstop service to Seattle is now being offered year-round based on strong demand from both business and leisure customers. Over the past two years, Delta has increased capacity by 12 percent through new markets and added frequencies.

LEXINGTON: NEW MARKEY CLINIC EXPANDS ACCESS TO EARLY-PHASE TREATMENTS

IN an effort to offer the most innovative cancer treatments available, the **University of Kentucky Markey Cancer Center** has opened a new clinic dedicated to providing patients with increased access to phase I and phase II clinical trials.

UK photo



Markey Cancer Center's new Precision Medicine Clinic will offer patients the opportunity to be among the first to receive a promising new drug or treatment.

Before a new drug can be approved by the **Food and Drug Administration** (FDA) for widespread use, it must first be proven safe and effective in clinical trials. When patients are enrolled in phase I trials, they are often among the first people to receive a promising new drug or treatment. Phase II trials build on the information gathered in a phase I trial and often compare its efficacy with the current standard treatment for that specific cancer.

Many of the early-phase clinical trials offered at the Precision Medicine Clinic will be investigator-initiated trials from Markey physician-scientists, as well as national clinical trials sponsored by the **National Cancer Institute** (NCI) and Early Therapeutic Clinical Trials Network. Such trials are not usually available to patients treated outside an NCI-designated cancer center such as Markey.

The launch of Markey's Molecular Tumor Board last year is providing ongoing guidance for the types of clinical trials the Precision Medicine Clinic will initiate or recruit. The tumor board provides a forum for expert clinicians, pathologists and scientists to discuss and analyze tumor genotypes and molecular abnormalities in order to recommend patient-specific targeted therapies.

"Cancer treatment has traditionally been based on tumor types, but with more data obtained from genetic analyses, we are using that information to target specific mutations," said Dr. Mark Evers, director of the UK Markey Cancer Center. "The more data we gather through the Molecular Tumor Board, the more precise therapies we'll be able to offer through clinical trials at the Precision Medicine Clinic."

RICHMOND: ECU, FEDERAL BUREAU OF PRISONS FORGE UNIQUE PARTNERSHIP

EASTERN Kentucky University and the **Federal Bureau of Prisons** have forged a new partnership agreement to provide ECU criminal justice students a more hands-on learning experience while also offering current inmates a chance to learn in a college environment without leaving custody.

James David Lawson, ECU lecturer for the agreement, said the unique partnership with the **Federal Correctional Institution** (FCI) at Manchester will allow students to see the criminal justice and correctional systems at work firsthand while also being an integral facet of current re-entry methods. FCI Manchester houses approximately 1,100 male offenders.

The Inside-Out Prison Exchange Program is a national educational initiative that originated 20 years ago in Philadelphia as a means of bringing together campus-based students with incarcerated students for a semester-long course held in a prison, jail or some other correctional setting. The agreement with ECU will allow ECU faculty to offer course instruction inside FCI Manchester directly to current inmates as well as ECU students.

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BUSINESS BRIEFS

FLORENCE

■ **Gateway Community & Technical College's** Business Administration Program has partnered with **Business Network International** (BNI) to create the first college chapter in the country. The new chapter, BNI Prep, aims to help members increase their business through a structured, positive and professional referral marketing program that enables them to develop long-term relationships with quality business professionals without charging them a membership fee. BNI has over 8,000 chapters and more than 240,000 members around the world.

HEBRON

■ An Illinois company has purchased 19.2 acres in Hebron's **Airpark International Business Park** with plans to build two Class A, industrial distribution buildings that will total more than 300,000 s.f. **Molto Properties** has contracted with Fort Mitchell-based construction company **Paul Hemmer Co.** on the project and expects the first building to be complete by the third quarter of 2018. The other building is slated for completion during the third quarter of 2019.

HIGHLAND HEIGHTS

■ **Northern Kentucky University** has partnered with **Kenton County Schools** to create a new teaching and learning career pathway for high school students who are interested in becoming educators. "Typically, students are introduced to careers in education by simply attending school. This partnership allows (high school) students to actually have a taste of the profession by being an active member in a classroom that is not their own, while also gaining college credit," said Julie Whitis, Kenton County Academies of Innovation and Technology principal. "We are encouraging the scholars in this program to return to Kenton County after college graduation to make a difference in our schools." **Kentucky State University**, **Murray State** and the **University of Louisville** are also participating in similar programs.



LEXINGTON

■ **Allegiant** has announced plans to begin nonstop flight service between Lexington and Destin, Fla., beginning June 7, 2018. The seasonal flights will operate twice weekly, with flights scheduled on Thursdays and Sundays.

■ **A&W Restaurants Inc.** has signed its largest multi-unit deal since the brand was acquired from Louisville-based **Yum! Brands** by a group of franchisees in late 2011. The development plan calls for eight restaurants to open over eight years in northwest Ohio. Lexington-based A&W currently has nearly 1,000 locations worldwide, with more than 630 in the United States. Fifteen stores were added last year and another 15 are planned for this year. The brand has seen an average sales increase of more than 30 percent between 2011 and 2017.

■ **UK HealthCare** has submitted a certificate of need (CON) application to the Kentucky Cabinet for Health and Family Services for another 141 in-patient beds at the **University of Kentucky Albert B. Chandler Hospital** to help address high patient demand. Though UK HealthCare's long-term plans to decommission its **Good Samaritan**



Hospital and the first Chandler Hospital facility have been put on hold for the foreseeable future to help meet patient needs, during December 2017, UK's emergency department at times had as many as 60 patients who needed to be admitted to a hospital bed but had to be put in temporary accommodations such as outpatient areas and post-operative units because no patient beds were available. If the CON is approved, it would give Chandler a total of 865 patient beds.

LOUISVILLE: GROUP FUNDING GAME PLAN TO ATTRACT NBA TEAM TO LOUISVILLE

DAN Issel, former **NBA** and **ABA** all-star and All-American basketball player at the **University of Kentucky**, has been named president of the **Louisville Basketball Investment and Support Group**, a Kentucky-based LLC created in 2016 to explore the opportunity to bring a NBA franchise to Louisville.

More than 20 local investors have contributed a combined \$750,000 in startup capital to support the initiative, referred to as "NBA 2 Louisville." The \$750,000 represents the first round of a \$3 million private placement memorandum (PPM).

NBA 2 Louisville Founding Investors

Matthew Barzun	Gill Holland	Joe Reeves
Paul Beam	Adam Hornek	Joe Steier
Bearno's Inc.	Nick Jacoby	Todd Strause
Jessica Bird & Neville Blakemore	Ingrid & John Johnson	Joe Tichenor
Garvin Brown	Mark Lamkin	Dianne Timmering
Damon Garrett	Neace BA LLC	Jason Waters
Ankur Gopal	Neil Ramsey	Greg Weishar
		Jason Zachariah

"There is speculation that the NBA could grant an expansion franchise to the West Coast, which would open the door for a franchise to be located in the eastern U.S.," Issel said.

The organization will focus on developing NBA relationships, securing a major investor and strengthening connections at the local level to implement the strategic elements needed to make Louisville and the commonwealth NBA-ready if the league does decide on expansion.

"The national exposure that comes with pro sports could supercharge our existing efforts to market our region for talent, business recruitment, tourism, and conventions," said Kent Oyler, president, **Greater Louisville Inc. – The Metro Chamber of Commerce**. "We already have the fans, facility and business support to make the NBA a success here; we just need a team."

Joe Steier, CEO of Louisville-based **Signature Healthcare**, and attorney J. Bruce Miller founded the group and serve as chair and vice president, respectively. Dianne Timmering is serving as the group's strategic consultant.

LEXINGTON: UK SIGNS AGREEMENT TO REMAIN AT RUPP ARENA UNTIL 2033

THE Lexington Center Corp. and the **University of Kentucky** have executed a "right of use agreement" that ensures UK's men's basketball team will continue playing in Rupp Arena through the 2033 season.

The current lease expires at the end of the 2018 season.

Per the agreement, LCC will receive a yearly lease payment from UK Athletics of \$1.9 million for 28 events. The agreement also calls for UK to receive revenues from the creation of four clubs and club spaces within the arena for use during games. The clubs will be constructed as part of LCC's new convention center project.

The new agreement also addresses use of Rupp Arena for other UK events such as Big Blue Madness, Blue/White games, some women's basketball games and commencement ceremonies.





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BUSINESS BRIEFS

LOUISVILLE

■ **Write Now Marketing**, a creative marketing firm based in Louisville, is expanding into the central Kentucky market with a new office in Lexington. The firm, founded in 1997 by Debra Becknell, offers a full range of services, including email marketing, direct mail, website and logo design, social media marketing and curation, and printing and branded apparel.

■ **EY**, one of the world's largest business-services organizations, has invested \$4.3 million to expand its professional practice office in downtown Louisville, which serves as the company's Kentucky and southern Indiana market headquarters. The expansion accommodates the addition of EY's 125-member National Executive Assistant Team, which provides support for EY executives across the nation.

■ **Brown-Forman Corp.** has announced an agreement to purchase 30 megawatts of electricity annually from **Solomon Forks Wind Project**, a new wind-power project in Kansas. The wind farm is expected to generate the equivalent of more than 90 percent of Brown-Forman's annual electricity usage in the United States. Brown-Forman will purchase the wind power generated over the next 15 years and retain ownership of the resulting renewable energy credits to offset the greenhouse gas emissions from electricity usage at its U.S. facilities. The electricity generated by the wind farm will then be sold on the wholesale market.



BROWN-FORMAN

■ Louisville-based **ZirMed**, which merged with **Navicure** in late 2017, has announced that the combined organization will now operate as **Waystar**. The company specializes in providing revenue-cycle technology for the health-care industry and will continue to maintain its existing locations and teams in Atlanta, Louisville and Chicago.

■ **DPL Financial Partners** is investing \$3.6 million to expand its operations in Louisville. The company plans to relocate to a new location (which has not yet been determined) and will add 40 new jobs to its existing workforce. The new hires will include sales and marketing, information technology and finance positions. DPL is an insurance network for registered investment advisors, providing them and other fee-based advisory practices with a model for offering low-cost, commission-free insurance to consumers.



dpl financial partners

■ **IdeaFestival**, a regular event that began in 2000 with the goal of bringing together some of the world's top thinkers, entrepreneurs and leaders from a broad array of disciplines to share and discuss new ideas and innovations, will not be held in 2018, organizers have announced. IdeaFestival founder Kris Kimel said the event's audience "has fundamentally shifted over the years and it is unclear at this point whether our 'product' is still of sufficient value and relevance." Kimel said not holding the event in 2018 will allow organizers the time to determine whether there is a sustainable program and financial model for IdeaFestival in Louisville.

■ The **Raynostix Group** and **Richardson Imaging Services**, two of the Louisville area's leading providers of digital imaging solutions and x-ray equipment and supplies, have merged to provide expanded services to their clients. The newly merged company is operating under the Raynostix Group name and is headquartered in Jeffersonton.

■ **CafePress**, a company that specializes in customizable products, has reduced the workforce at its Louisville headquarters by 5 percent as part of the company's effort to return to profitable growth. As part of that effort, the company's co-founder, chairman and CEO, Fred E. Durham III, has taken a base salary cut of more than 58 percent. CafePress experienced revenue declines in the second and third quarters of 2017 – which they believe were related to changes in search-engine algorithms that adversely affected the company's search visibility and traffic – and has been working to launch a modernized website to address those issues.

STATE: KY RANKS AMONG NATION'S TOP 5 FOR NEW BOARD-CERTIFIED TEACHERS

KENTUCKY saw more than 316 teachers earn their national board certification on Feb. 20, achieving one of the highest credentials in the teaching profession. Kentucky's was the fifth-largest class of NBCTs in the nation.

Kentucky has consistently ranked in the top 10 nationally for the number of board-certified teachers. With 3,601 NBCTs, Kentucky ranks seventh in the nation for the percentage of teachers who are board-certified (8.6 percent) and eighth in the nation for the total number of board-certified teachers.

National board certification is voluntary and open to all teachers who have three years of classroom experience and a baccalaureate degree.

"The fact that this rigorous process requiring nearly 400 hours of time and effort to achieve is voluntary, speaks volumes about the dedication that these teachers have to reaching high standards for themselves and their students," said Hal Heiner, secretary of the Kentucky Education and Workforce Development Cabinet.



On top of an already busy classroom schedule, teachers must invest nearly 400 hours of time to achieve national board certification.

BOWLING GREEN: PINK LILY BOUTIQUE HAS HIT \$50M IN 4TH YEAR; ADDING 56 JOBS

Pink Lily photo



In addition to the company's online boutique that caters to customers around the world, Pink Lily has opened a physical location in Bowling Green.

PINK Lily Boutique, a national women's fashion retailer and clothing manufacturer headquartered in Bowling Green, is investing more than \$2 million to expand its Warren County operations and plans to add 56 new employees to its 45-member staff over the next five years.

Pink Lily plans to expand its facility in south Warren County to 50,000 s.f., which will house the company's headquarters as

well as management, marketing, finance, manufacturing, warehousing and distribution operations.

Started in 2014 by husband and wife Chris and Tori Gerbig, the company rapidly transformed from Tori's social-media hobby into a successful online business. A Facebook group where Tori shared her fashion tips and sold accessories quickly gained 10,000 followers, a number that grew to over a million with the launch of PinkLily.com. Within a year, the Gerbigs were able to devote themselves full time to the company, which quickly developed an international clientele.

The company's first-year sales doubled month over month, with annual revenues reaching \$4.1 million. By the end of year two, PinkLily.com's revenue grew by 300 percent. The company will soon pass \$50 million in total sales revenue and projects \$100 million in sales by the end of 2020. The fulfillment center in Bowling Green ships over 1,000 products daily and has shipped over 1.5 million products since 2014. The website receives an average of 25,000 visits per day and the company opened its first brick-and-mortar store in Bowling Green in 2017. The Gerbigs are currently working with clothing manufacturers to add a Pink Lily branded line.

LOUISVILLE: CUDDLE CLONES' GROWTH MAKES IT MORE THAN A PET PROJECT

Cuddle Clones photo



Cuddle Clones' stuffed animals are created and customized to look exactly like specific pets.

A Louisville company that produces plush replicas of pets is investing \$1.3 million to expand its headquarters in Louisville as demand for the company's products continues to soar.

Cuddle Clones, founded in 2010 in Louisville, creates a variety of customized items for customers that feature their pet's likeness. Company founder Jennifer Williams initially began

making custom stuffed-animal versions of people's pets and has since expanded the company's product line to include 3-D printed sandstone figurines and ornaments, golf club covers, slippers, and granite and basswood memorials, among other items. Product prices range from \$20 for a pet collar to \$199 for a custom plush replica of a pet.

The company recently acquired **Cartoonize My Pet**, an online customization engine in which people can create a cartoon version of their pet. The created design is projected onto the **Zazzle** product line, which includes over 250 custom products such as giftwrap, apparel, stationery and pet bowls.

The move to a larger facility will allow the company to expand its operations and introduce more product lines.

Cuddle Clones currently employs 11 people and plans to add 50 more as part of the upcoming expansion.

According to the latest statistics from the **American Pet Products Association**, Americans spent over \$69 billion in 2017 on pet-related items and services.

LOUISVILLE: NEW YUM! PARTNERSHIP WILL BRING CHICKEN, TACOS TO YOUR DOOR

YUM! Brands, the Louisville-based parent company of **KFC**, **Pizza Hut** and **Taco Bell** restaurant chains, has formed a new partnership with **Grubhub**, a leading online and mobile take-out food-ordering company, to drive more sales to KFC and Taco Bell restaurants throughout the United States.



The partnership is part of Yum's long-term strategy to make its brands easier for consumers to access and drive profitable incremental sales growth for franchisees. Grubhub will be Yum's only national partner providing dedicated support for KFC and Taco Bell online delivery channels and will engage with KFC and Taco Bell in joint marketing initiatives to generate new diners and drive order frequency for existing diners.

As part of the agreement, Yum will purchase \$200 million of Grubhub common stock, an investment that will provide Grubhub with additional liquidity to accelerate expansion of its delivery network and enhance its order and delivery operations. In addition, Grubhub will expand its board of directors from nine members to 10 and has appointed Pizza Hut U.S. President Artie Starrs to the newly created seat as an independent director. Pizza Hut, which fulfills more than 100 million delivery transactions annually in the U.S., will work together with Grubhub to determine how to best leverage their scale and expertise.

BUSINESS BRIEFS

LOUISVILLE

■ **Vita-Stat LLC**, a Louisville company that specializes in medication and care-management software for assisted-living and skilled-nursing facilities, is investing more than \$2.17 million to expand its operations. The expansion will add 22 full-time jobs to the company's existing 52-member staff, with jobs including sales representatives, managers and trainers, software development and customer support personnel. The company, which previously operated as **Creative Strategies US**, is moving to a 20,000-s.f. location that will provide nearly twice the space of its current Bardstown Road site.

MOREHEAD

■ **Maysville Community and Technical College** has opened its new Rowan County campus in Morehead's Will John Stacy MMRC Regional Business Park. The 87,000-s.f. facility includes 28 classrooms as well as high-bay industrial laboratories that give students the opportunity for hands-on learning in a modern manufacturing environment. In addition to general education and dual-credit opportunities the facility will offer workforce training that is customized to meet the changing needs of the region's business and manufacturing industry.

PADUCAH

■ The **Elder-Beerman** department store at the **Kentucky Oaks Mall** is slated to close, one of 42 locations being shuttered by parent company **The Bon-Ton Stores Inc.** Store closing sales began Feb. 1 and will run until mid- to late-April.

PRESTONSBURG

■ Prestonsburg's **City Utilities Commission** and **Big Sandy Community and Technical College** have partnered to create a three-year registered apprenticeship program that will specialize in training water-treatment plant and wastewater-treatment operators. Apprentices will receive 2,000 on-the-job and 144 classroom-training hours per year and earn a nationally recognized journeyman certificate upon completion of the program. "The current workforce of certified operators is an aging one that will most likely face critical shortages of certified operators in the future," said Prestonsburg City Utilities Commission Superintendent and CEO Turner E. Campbell. "This program will shorten the time it takes to become a certified water or wastewater-treatment operator while giving utility entities an opportunity to replace retiring operators more quickly."

RICHMOND

■ Despite cuts in state funding, **Eastern Kentucky University** has announced that it is freezing student tuition rates for the 2018-2019 academic year. Though only 15 percent of the university's budget will be derived from state funding by 2020, ECU President Michael Benson said, "We can't make up that deficit on the backs of our students." Benson noted that 65 percent of ECU's undergraduate degree recipients are low-income or first-generation college students (or both) and 90 percent of its students are from Kentucky.

SPARTA

■ **Crosley Brands**, a Louisville consumer electronics company, has inked a three-year naming rights deal with the **Kentucky Speedway** for the track's luxury corporate suite that opened last year. The **Crosley Club** can accommodate up to 160 guests (with a maximum of 10 tickets per company, available on a first-come, first-served basis) and offers a catered chef table, inside/outside seating and trackside views, private cash bar/restroom access, platinum parking and a club-like atmosphere.



WINCHESTER

■ **Sekisui S-Lec America** is installing more than 2,000 ultra-high efficiency solar panels at its plant in Winchester, where it produces polyvinyl butyral (PVB) interlayer film products for automotive glass. The roof- and ground-mounted solar array is being installed by Lexington-based **Solar Energy Solutions** and will produce enough energy each year to power the equivalent of 84 typical homes. According to the company, the installation will establish it as one of the top five private producers of solar energy in the state.

INTERSTATE LANE

Business news from Indiana, Ohio, Tennessee and West Virginia

BUSINESS BRIEFS

INDIANA

■ The **Indianapolis Motor Speedway** is offering Indy 500 fans the opportunity to experience this year's race in a new way with the introduction of on-site "tiny house" accommodations. Each of the new tiny houses feature compact kitchens with high-end finishes, bathrooms, air conditioning and sleeping quarters. A range of different layouts and options is available. A package that includes accommodations, four general admission tickets, on-site parking and private concierge service is priced at \$3,000.



INDIANA/OHIO

■ **Hopebridge**, an Indiana-based chain of clinics that provides therapies for individuals with autism, is expanding its presence in Ohio, according to a report by the **Columbus Business Journal**. The company plans to open 20 locations in Ohio over the next year, creating around 1,000 jobs. Hopebridge currently has 16 locations in Indiana and Kentucky.



OHIO

■ Cincinnati-based grocery giant **Kroger** is selling its convenience store business unit to a British company for \$2.15 billion. As part of the agreement, **EG Group** will establish their North American headquarters

in Cincinnati and continue to operate the stores under their established banner names, which include **Turkey Hill**, **Loaf 'N Jug**, **Kwik Shop**, **Tom Thumb** and **Quik Stop**. Kroger's convenience stores are located in 18 states and generated \$4 billion in revenue in 2016.

TENNESSEE

■ **Asurion**, a Nashville-based company that provides tech-support solutions and protection for consumer electronics, is consolidating its four existing Nashville facilities into a single downtown corporate headquarters location. The new location will house Asurion's corporate personnel and serve as a global product and technology hub for the company. Asurion is adding 400 new jobs as part of the move.



■ Furniture manufacture **England Inc.** is investing \$31 million to expand its manufacturing facility and corporate office space in New Tazewell, Tenn. England, an independent division of **La-Z-Boy Inc.**, has been located in New Tazewell since 1964. The expansion, which is expected to be complete by early 2019, will create more than 200 new jobs.

■ **Toyota Boshoku Tennessee** is investing \$31 million to add 143,000 s.f. to its plant in Jackson, Tenn. Toyota Boshoku develops and produces interior, filtration and powertrain components for the automotive sector. The Jackson expansion will add 139 new jobs.

WEST VIRGINIA

■ **Procter & Gamble** has announced that it will hire more employees than originally anticipated for its new plant near Tabler Station, W. Va. Cincinnati-based P&G initially planned to hire 700 full-time workers for the new manufacturing facility, but has now bumped that figure up to 900. The company is in the process of ramping up operations at the new facility, which will produce **Dawn**, **Gain**, **Joy** and **Ivory** dish-care brands in addition to numerous other P&G-brand products. P&G is closing its facility in Kansas City, Kan. — one of the company's oldest operating factories — and will move its operations to the new West Virginia plant by 2020.

■ Ohio-based **FirstEnergy Corp.** has announced plans to deactivate its coal-fired **Pleasants Power Station** in Willow Island, W. Va., which has been in operation since 1979. FirstEnergy subsidiary **Mon Power** filed a plan in March 2017 seeking regulatory approval to acquire the Pleasants Power Station, which would have resolved a projected 10-year energy capacity shortfall and decreased electric bills for customers. However, the Federal Energy Regulatory Commission has rejected that proposal. The 1,300-megawatt plant will be sold or closed on Jan. 1, 2019, eliminating approximately 190 jobs.

TENNESSEE: ST. JUDE'S HIRING 1,000 FOR NEW \$412M RESEARCH CENTER

ST. Jude Children's Research Hospital has announced plans to develop a \$412 million advanced research center at its medical campus in Memphis.

Construction of the 625,000-s.f. center is slated to begin this spring, with an opening planned for 2021. The project is a major component of a \$1 billion capital expansion of the St. Jude campus and will create 1,000 faculty and staff positions, according to local reports.

"We are creating an environment where scientists and clinicians will have ready access to leading-edge resources and opportunities to pursue breakthroughs in hopes of accelerating progress in treating and curing catastrophic pediatric diseases," said James R. Downing, St. Jude president and chief executive officer.

The advanced research center will feature state-of-the-art labs focusing on immunology, neurobiology, cell and molecular biology, gene editing, metabolomics, advanced microscopy, epigenetics, genomics, immunotherapy and RNA biology.

"We have committed critical resources to equip the brightest minds in science with the world's most sophisticated technologies and equipment so that we can continue to speed discoveries that will save children," said James I. Morgan, St. Jude scientific director and executive vice president.

Treatments developed at St. Jude have helped push the overall childhood cancer survival rate from 20 percent to 80 percent since the hospital opened more than 50 years ago. The upcoming expansion is being largely funded through the support of donors. Families of children treated at St. Jude are never billed for treatment, travel, housing or food.



The new advanced research center at St. Jude Children's Research Hospital will house cutting-edge technologies and resources to transform science and accelerate the pace of discovery.

OHIO: MERCY HEALTH ANNOUNCES PLAN TO MERGE WITH BON SECOURS SYSTEM

CINCINNATI-based **Mercy Health**, a Catholic health ministry that serves Ohio and Kentucky, has announced that it is merging with the **Bon Secours Health System**, a Catholic health ministry that serves residents along the East Coast.

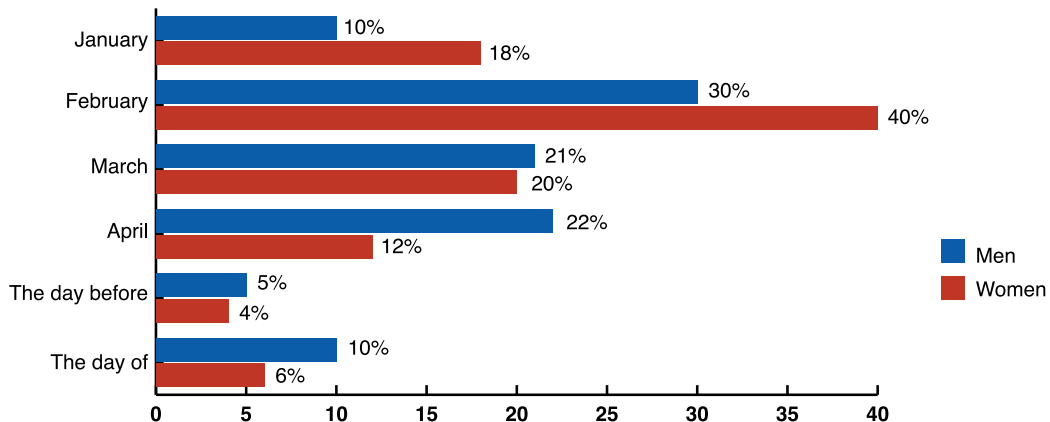
The merger will create one of the largest health systems in the country, with 43 hospitals spanning seven states in the eastern United States and more than 50 home health, hospice, skilled nursing and assisted living facilities and agencies. The combined system have approximately \$8 billion in net operating revenue and \$293 million in operating income, and employ some 57,000 associates and more than 2,100 physicians and advance-practice clinicians.

"As consumers grapple with the implications of health-care reform in a dynamic marketplace, Mercy Health and Bon Secours share a vision to improve the health of the communities we serve as the low-cost, high-value provider," said Mercy Health President and CEO John M. Starcher Jr. "Working together, our strong faith-based heritage fuels our mutual focus to provide efficient and effective health care for each patient who comes through our doors."

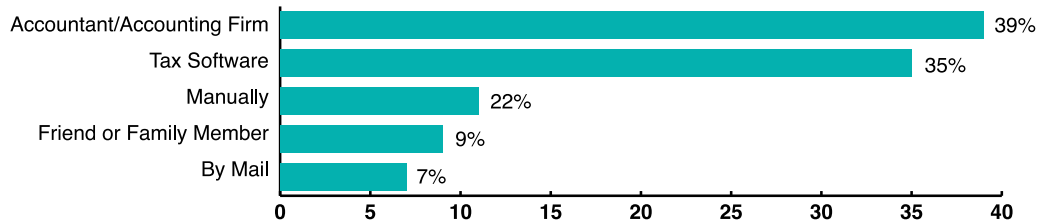
2018 TAX SEASON SURVEY

There may be many things that divide America these days, but it's probably safe to say that most Americans will agree on this point: Nobody likes doing their taxes. But from there, we all differ again on when to file, how to file and what to do with any refunds we may be due. A recent Google survey polled more than 1,000 U.S. consumers to ask their thoughts about the annual chore of filing taxes.**

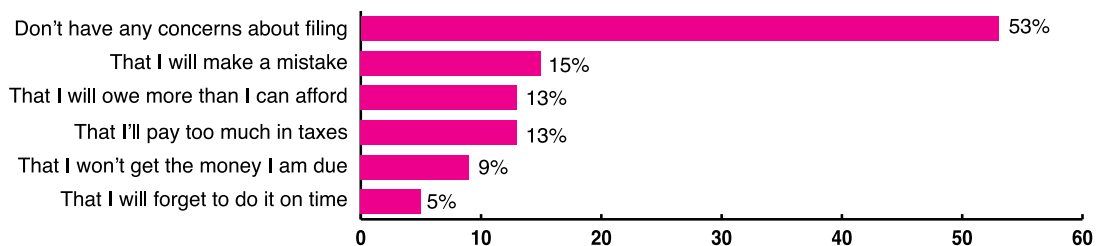
WHEN DO YOU FILE YOUR TAXES?



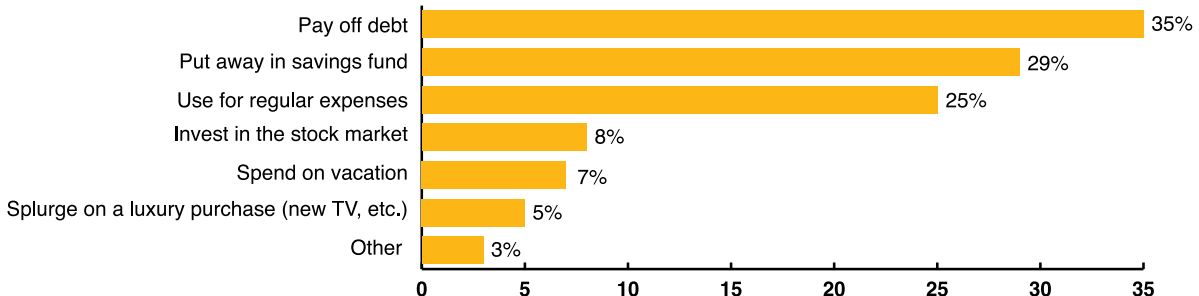
HOW DO YOU FILE YOUR TAXES?



WHAT CONCERNS DO YOU HAVE ABOUT FILING YOUR TAXES?



WHAT DO YOU PLAN TO DO WITH YOUR TAX REFUND*?



*2.5% of consumers said they do not expect a tax refund.

** Due to statistical rounding and participants selecting more than one answer for some questions, figures may add up to more than 100 percent.

Source: Google Surveys

CORPORATE MOVES

New leadership for Kentucky businesses

ARCHITECTURE

■ **Jody Boelhauf** and **Chad Gallas** have been named company shareholders of Lexington-based Omni Architects.



Jody Boelhauf



Chad Gallas

BANKING/FINANCE

■ **Joe Berry** has been named vice president of community development for First Security Bank in Owensboro.



Joe Berry

CONSTRUCTION

■ **Jorge Rivera** has been promoted to operations manager of Churchill McGee Construction and C3 Concrete, a division of Lexington-based Churchill McGee.



Zack Davis

CONVENTIONS/TOURISM

■ **Zack Davis** has been promoted to vice president of destination services at the Louisville Convention & Visitors Bureau. He replaces **Doris Sims**, who has retired from the position.

■ **Mike Mangeot** has been named executive director of the Bardstown-Nelson County Tourist and Convention Commission.



Mike Mangeot

EDUCATION

■ **Dana C. Shaffer** has been named dean of the Kentucky College of Osteopathic Medicine at the University of Pikeville.

■ Eastern Kentucky University has named **Ethan Witt** as director of government and community relations.



Ethan Witt

■ **Taran McZee** has been named associate vice president for diversity and inclusion at Transylvania University.



Taran McZee

HEALTH CARE

■ **Bethany Cox Snider** has joined Hosparus Health in Louisville as vice president and chief medical officer. She succeeds **Jim Gaffney**, who is retiring effective March 30.

LEGAL

■ **Gregory T. Dutton** has joined Frost Brown Todd as a member of the Louisville office and the firm's environmental practice group.

DEPARTURES

■ **Brad N. Hall** is leaving his job as external affairs manager at Kentucky Power to accept the position of vice president of external affairs for Appalachian Power, a sister operating company of Kentucky Power.

■ **Vickie Yates Brown Glisson** has stepped down as secretary of the Kentucky Health and Family Services Cabinet and plans to run for a seat in the U.S. House of Representatives.

■ **Theresa A. Canaday** has assumed the role of litigation department chair at Frost Brown Todd.



Theresa Canaday

RESEARCH

■ **Todd Bonta** has been promoted to director of clinical data management at Covington-based CTI Clinical Trial and Consulting Services. **Shawna Bredek** has been promoted to senior director of clinical trials for the company.



Todd Bonta



Shawna Bredek

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ON THE BOARDS

Kentuckians named to organizational leadership roles

BANK OF THE BLUEGRASS & TRUST CO.

■ **Keith Moody** has joined the advisory board of Lexington-based Bank of the Bluegrass & Trust Co. Moody is retired from Lexmark International, where he most recently served as vice president and chief information officer.

BUILDING INDUSTRY ASSOCIATION OF NORTHERN KENTUCKY

■ The Building Industry Association of Northern Kentucky has announced its leadership team for 2018: President – **John Curtin**, Paul Hemmer Co.; Immediate Past President – **Bill Cullen**, Cullen Brothers; Vice President – **Tom Withorn**, Craftsmen by Design; Secretary/Treasurer – **Ross**



John Curtin

Kreutzjans, Kreutzjans Construction Co.; Associate President – **Watson Jones**, C.K. Ash Insurance; **John Cain**, Wiseway Supply. Directors: **Shad Sletto**, EGC Construction; **Ben Taylor**, Drees Homes; **Fred Cernetisch**, Pella; **Mike Riegler**, Len Riegler Blacktop; **Brandy Roberts**, Florida Tile; **Nick Smith**, Keller Williams Realty; **Mike Willenbrink**, land development council president, Bayer Becker; and **Michelle Caldwell**, sales and marketing council president, Huntington Bank.

DENHAM-BLYTHE CO.

■ **Marty Trimble** has been appointed to the board of directors of the Denham-Blythe Co., a Lexington-based construction and design firm.



Marty Trimble

DINSMORE & SHOHL

■ Attorneys **R. Kenyon Meyer** and **Lee Stautberg** have been elected to the Dinsmore & Shohl board of directors. Meyer is a partner in the litigation department and office managing partner of the law firm's Louisville office. Stautberg is a partner in the firm's Cincinnati office.

HENDERSON COMMUNITY COLLEGE

■ **Dwight E. Williams**, **Ty Ward Rideout**, **Jennifer P. Andrews** and **John S. Wilkey** have been appointed to the Henderson Community College board of directors. Williams, of Henderson, is a retired U.S. Army colonel. Rideout, of Henderson, is owner of Abba Promotions, R.B. Properties, and SBAK Enterprises. Andrews, of Henderson, is an attorney with King, Deep & Branaman. Wilkey, of Henderson, is a financial advisor for Edward Jones.

KENTUCKY AGRICULTURAL FINANCE CORP.

■ **Linda L. Rumpke** has been appointed to the Kentucky Agricultural Finance Corp. board of directors. Rumpke, of Bardstown, is director of finance for Columbia Gas of Kentucky.

KENTUCKY ASSOCIATION OF CONVENTION AND VISITORS BUREAUS

■ **Troy Beam**, executive director of the Shepherdsville-Bullitt County Tourist Commission, has been elected 2018 president of the



Troy Beam

Kentucky Association of Convention and Visitors Bureaus. 2018 KACVB officers include: Vice President – **Eric Summe**, MeetNKY; Secretary – **Nancy Turner**, Winchester-Clark County Tourism Commission; Treasurer – **Erin Carrico**, Murray Convention and Visitors Bureau; and Immediate Past President – **Katie Fussenegger**, ShelbyKY Tourist Commission.

KENTUCKY BOARD OF PHARMACY

■ **Peter P. Cohorn**, **Joe Davis Forgy** and **Jill Rene Rhodes** have been appointed to the Kentucky Board of Pharmacy. Cohorn, of Henderson, is a pharmacist with Rite Aid and an attorney. Forgy, of Morgantown, is a retired pharmacy operator. Rhodes, of Crestwood, is a pharmacist with the University of Louisville Hospital.

KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

■ **Joseph P. Papalia** and **Robert H. Staat** have been appointed to the Kentucky Council on Postsecondary Education. Papalia, of Louisville, is an entrepreneur. Staat, of Goshen, is a professor with the University of Louisville's School of Dentistry.

KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

■ **Joseph Koester**, **J. Miller Hoffman**, **Lisa S. Clark** and **Rebecca Hedgspeth** have been appointed to the board of directors of the Kentucky Employers' Mutual Insurance (KEMI) Authority. Koester, of Villa Hills, is owner of Herzog Jewelers. Hoffman, of Mt. Sterling, is managing member of the Limestone Agency. Clark, of Louisville, is owner and controller of the F.D. Pierce Co. Hedgspeth, of Louisville, is an insurance agent with Epic Insurance Solutions.

KENTUCKY FARM SERVICE AGENCY COMMITTEE

■ The following individuals have been appointed to the Kentucky State Farm Service Agency Committee: **Sharon Furches**, Calloway County (chair); **Tom Flowers**, Shelby County; **Kenny Imel**, Greenup County; **Brenda Paul**, Bourbon County; and **Bart Peters**, Trigg County.

KENTUCKY GRAPE AND WINE COUNCIL

■ **Anthony J. Parnigoni**, **Shanna Osborne**, **Rachael E. Peake**, **Francine C. Sloan**, **Raymond Meyer** and **Patsy Elizabeth Wilson** have been appointed to the Kentucky Grape and Wine Council. Parnigoni, of Crittenden, is owner of Brianza Gardens and Winery. Osborne, of Owenton, is general manager of Elk Creek Vineyards. Peake, of Frankfort, is owner of Capital Cellars. Sloan, of Lawrenceburg, is owner of Rising Sons Winery. Meyer, of Shepherdsville, is a retired civil engineer and wine distributor. Wilson, of Lexington, is a viticulture extension specialist with the University of Kentucky.

KENTUCKY PERSONNEL BOARD

■ **Mark Opp Haines** has been appointed to the Kentucky Personnel Board. Haines, of Glasgow, is a financial advisor with Edward Jones.

KENTUCKY TRANSPORTATION CENTER

■ **Joseph A. McClung** has been appointed to the Kentucky Transportation Center advisory board.

McClung, of Leitchfield, is owner of Bluegrass Telephone Co. and McClung Rentals.

KENTUCKY - WEST VIRGINIA LOUIS STOKES ALLIANCE FOR MINORITY PARTICIPATION

■ **Sonia Sanders** has been appointed to the advisory board of the Kentucky - West Virginia Louis Stokes Alliance for Minority Participation. LSAMP is a consortium of colleges and universities that work together to create, enhance and expand programs to broaden participation and increase the quality and quantity of students from underrepresented populations who receive degrees in science, technology, engineering and mathematics (STEM) disciplines. Sanders is assistant vice president for public engagement and community outreach at Kentucky State University.



Sonia Sanders

MAYSVILLE COMMUNITY & TECHNICAL COLLEGE

■ **Monica Hill**, **David Rhodes**, **Peter Feil** and **Avi Bear** have been appointed to the Maysville Community & Technical College board of directors. Hill, of Flemingsburg, is an attorney with Campbell, Rogers & Hill. Rhodes, of Mount Sterling, is vice president of business development for The Walker Company of Kentucky. Feil, of Ft. Thomas, is vice president and general manager of Stober Drives Inc. Bear, of Cynthiana, is a pastry chef and owner of Oven Art Inc.

NATIONAL LEAGUE FOR NURSING

■ **Mark Vogt** has been named to the board of governors of the National League for Nursing, an organization for nurse faculty and leaders in nursing education. Vogt is chief executive officer of Louisville-based Galen College of Nursing.



Mark Vogt

OWENSBORO COMMUNITY & TECHNICAL COLLEGE

■ **William K. Mounts**, **Cecelia W. Robinson** and **M. Joan Hayden** have been appointed to the Owensboro Community & Technical College board of directors. Mounts, of Owensboro, is vice president of OMICO Plastics. Robinson, of Owensboro, is community relations director for Ohio County Hospital. Hayden, of Philpot, is co-owner of Hayden Electric and Hayden Farms.

THOROUGHbred AFTERCARE ALLIANCE

■ **Walt Robertson** has been elected to the board of the Thoroughbred Aftercare Alliance, a nonprofit organization that accredits and provides grants for organizations to retire, retrain and rehome Thoroughbreds. Robertson is an attorney with the law firm of Stites & Harbison.



Walt Robertson

LANE ONE-ON-ONE

Kentucky's leaders express their opinions



Ann Bakhaus

Ann Bakhaus has been president of Kentucky Eagle Inc., a Lexington-based distributor of Anheuser-Busch and other beers and products, since 1997. She has held many business and civic positions, including Commerce Lexington board member, chair in 2008; Reserve Bank of Cleveland's Lexington Business Advisory Council member; Central Bank Advisory Board member; Kentucky Horse Park Foundation Board member; founding member of The Lexington Foundation; Town Branch Fund chair; Kentucky State Fair board; Lexington Center Corp. board; and Fayette Alliance Foundation board. Bakhaus is a graduate of St. Mary's College and Atlanta School of Design. She has three adult children: Tate Russell Sherman, Kelton Russell Jarrell, and Michael William Russell.

DISTRIBUTORS PLACE PRODUCTS WHERE THEY SELL BEST, HELP CLIENTS GROW

Kentucky Eagle President Ann Bakhaus discusses beer business and raising funds for Lexington's Town Branch project

BY MARK GREEN

Mark Green: Back in 1978, according to your website, Kentucky Eagle had four nameplates and sold 1.25 million cases of beer. Nowadays, it has 1,500 accounts, 400 brands, and sales are 5 million cases annually, plus other products. What are the highlights of the company's growth?

Ann Bakhaus: My dad bought Bennie Robinson distributing in 1948. It was started in 1933. The company had Hudepohl, Budweiser and Wiedemann beer and sold lettuce and vegetables on the same trucks. When dad bought it he took it to beer only. They sold about 979 barrels a year and gross sales were \$177,000. When you move on up to 1978, my father had Bennie Robinson, Champion, Ace and Old South, which were four different distributorships. At that time a lot of breweries didn't want their beers in the same distributorships with certain other brands. Back then Hudepohl and Wiedemann were the No. 1 beers for many years. Some of the other brands he had were Coors and Pabst. He ended up selling the three others and consolidated some of the beers into Bennie Robinson. Later in the 1980s, we changed the name to Kentucky Eagle Inc.

MG: What about the addition of the other products?

AB: I think it's very important to diversify. We sell everything from wine and spirits, beer, to non-alcs, waters and now beer cheese. If you've got room on the trucks and sell things that enhance your products, it's a win-win for everybody. I started in 1997, and we were AB only – Anheuser-Busch would pay you to be exclusive to them, so many cents per case of beer. After I got involved, I thought we needed to diversify. We saw the craft beer industry coming on. We have another generation that likes a different style and flavor of beer. The craft guys have done a fabulous job being creative with so many things. It has added a lot of excitement to the industry.

MG: Your family has been in this business your entire lifetime. How did you get involved in it and learn the business?

AB: My brother was supposed to take over the beer part of my father's businesses but he decided that he was more interested in the real estate side, so that was when my family made the decision to get into the beer business. When I got involved in 1997 I was one of four women wholesalers in the nation. Now there are many more. When I first became involved, Anheuser-Busch came for a visit and asked how I was planning on taking care of the company. I shared with them that I was going to do it

just as my father did for many years. He treated it as a family business and I would do the same. They told me the business was much too big for that, and I told them that I would take care of it just as he did, which I have tried to do. I look at my opportunity for getting involved as a blessing because if I had not gotten involved my daughter wouldn't have had the opportunity as well. I learned the business from the ground up and I have enjoyed every minute.

MG: Did you have any business background or education?

AB: No. My education was fashion design. But my father always instilled in me that I could do whatever I set my mind to, and I have loved every second of being in the business.

MG: What kind of work had you done previously?

AB: I ran advertising for different department stores and worked with my father in the real estate side of his businesses and helped him manage his rental properties.

MG: Marketing applies to all business.

AB: We do a lot of media buys, radio television and billboards. But we also do Twitter, Instagram and Facebook.

MG: What is the product divide among the 400-plus brands of beer, spirits, wines, ciders, specialty beverages and beer cheese Kentucky Eagle distributes?

AB: Ninety-eight percent of our products are malt beverages and we sell around 5 million cases. Our sales people know our customers and their accounts very well and we sell them the products that work best in their accounts. We don't want to put every single brand in every account if it will not sell well.

MG: Did Kentucky Eagle have to obtain the rights to market within a geographical territory?

AB: Yes, Kentucky Eagle's distribution rights cover 19 counties. All of our brands go to every county, just not every brand in every account though.

MG: Has it always been 19 counties, or did you grow to that?

AB: We grew because seven or eight years ago, half of the counties in Kentucky were dry. When a county does go wet, ABI (which is our largest brewer) decides which wholesaler they want to give that county to. We all go in and make presentations for that county. It matters a lot if you're contiguous with the county; they don't usually hop over counties to give

you a territory. The smaller brewers let ABI decide because they are well over 90 percent of our business.

MG: How does a new product or producer get into Kentucky Eagle's distribution network? Do they have to establish demand in the marketplace before you pick them up? Or do you go to them?

AB: Most brewers come in and scope out your territory without you even knowing. They send people to see what the distributors are doing in their territories as far as point of sale, distribution, cases and the percentage of shelf space. Then they will ask to meet with you to discuss distribution and let you know their plans for coming to the state. After that, each wholesaler will go to them and make a presentation and then they will make a decision on distribution.

MG: If a new craft brewer comes on the scene, do you automatically pick them up, or do they have to prove themselves?

AB: We love all of our local craft guys. We distribute all local beers except for West Sixth, which Clark distributes. We meet with brewers when we find out they are in the game and find out what their vision and capacity is for their business.

That is something you have to pay a lot of attention to because when you have a craft like Kentucky Ale or Country Boy you don't want to put too much pressure on the brewer to where they can't supply all the accounts that we have them in. The worst thing I can do is to put them in too many accounts, and then they cannot supply the capacity and run out of beer in those accounts.

MG: Kentucky Eagle emphasizes customer service. What policies differentiate you from others?

AB: To give the best service possible to our customers, we try to hear what their needs are, service them in a timely manner, give them the products we know will sell the best for them. Rotation is a big deal; we want to keep our products fresh in their stores and restaurants. If a product doesn't sell as well as others and gets close-dated, we'll change it out so they have the freshest beer possible. That's a big piece of what we do.

MG: How has the craft beer explosion affected wholesale distribution?

AB: I can't say enough great things about the craft business. It has brought new excitement to the industry. Customers

who are experimenters who want to try different things are absolutely wonderful. The local craft brewers have done a great job. It's important for them to stay tied into the overall community and for those local brands to be sold through their local restaurants and stores all over Central Kentucky. That touches jobs for Kentucky Eagles 160 employees and also for all waiters, waitresses and everyone who sells their beer in the stores and restaurants and gas stations. We need to keep that top of mind with the craft guys because that's supporting local. The craft taprooms they have now are taking some of that away because it's just the craft guys selling it in their taprooms and they are not touching all of those other businesses out in the community. We need to be aware and keep a balance. That is very important because their business is very important to the rest of our community. For them to grow right, they need to be in all of those accounts.

MG: Has craft grown the overall beer market?

AB: They are taking business from the domestic brands because some of our drinkers are changing. There are still a lot of loyalists out there that like domestic brands as well.

New Event Series

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Solving the HR Puzzle

Thursday, April 12, 2018
8:30 am-Noon

The Mane on Main
Chase Tower,
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The Lane Report


Sylvia Lovely
& Associates

LANE ONE-ON-ONE

MG: Beer is a perishable product. How much time does a container of beer spend in your distribution chain?

AB: A case, or package as we call it, has a 110-day shelf life and draft has 60 days. We want to keep the freshest beer possible. As we order beer, we try to figure out how much of the product we're going to sell within 30, 60 or 90 days. I have one person who does all of the ordering for all the beer in our territory. We just had one of our guys retire who did this job for us for well over 40 years. He was fourth in the nation as far as accuracy. Very impressive!

MG: Are your other products perishable?

AB: Liquors and wines have a long shelf life.

MG: What's been the most difficult business issue you've had to confront?

AB: The hardest thing probably is dealing with taxes and different issues that will come up during the state legislative session. People will pass bills that are tough on our industry. That part of it has been the hardest for me because we can't just sell beer; we're over in Frankfort fighting taxes and fighting this or that.

MG: Your 190,000-s.f. headquarters here was the first LEED-certified distributorship nationally in the AB network. How and why did Kentucky Eagle do that?

AB: I wanted to do that when I built this facility in 2009. Our warehouse is one of the biggest refrigerators you will ever see. We have to keep package beer at a certain temperature and draft beer a lot colder. I looked into LEED and Gray Construction, who built our facility, was on the cutting edge of LEED. I also wanted to do it for my community: 83 percent of all the debris from this building was recycled. My office floor was made from an old black tobacco barn that was on the property, and I thought that was pretty neat. The paints and carpets are all environmentally friendly. We previously had a warehouse of 130,000 s.f. and my utility bills here for my new 190,000-s.f. facility are the same. That speaks volumes.

MG: Did achieving LEED certification require a bigger investment?

AB: Yes, but it absolutely paid for itself in no time. Well worth every penny. We also received wonderful PR nationwide for being the first AB wholesaler in the nation to be LEED certified. I had people calling me from all over the country inquiring about it.

MG: You're chair of the Town Branch Fund advisory board that is putting together private financing for part of the

project to "daylight" Lexington's long-buried original downtown waterway, build a linear greenway and then a larger commons park. How did you get involved?

AB: This was a vision of Lexington Mayor Jim Gray. About five years ago he took a group of us to 21st-Century Parks that Dan Jones built right outside of Louisville. It is a big, beautiful park – about 4,000 acres. Our mayor said "think about a park in downtown Lexington and what that would do for our downtown." Right after that, the city hosted a design competition for a park. SCAPE, out of New York, won the competition. Landscape architect Kate Orff just won the McArthur Foundation genius grant for her design of our park. The project never got off the ground back then because they could not figure out the funding. About two years ago the mayor came to me and said, "I think we have it figured out." The linear park of Town Branch commons from Winchester Road down Vine Street to Rupp Arena, which we will call Town Branch Trail, will be publicly funded with the federal, state, city funding. Town Branch Park just west of Rupp Arena will be privately funded. Lexington Center Corp. (owner of the land for the park) will lease the property to the community, and the community will raise the money and manage the 9-acre park. I loved his idea of our community bringing a piece of our beautiful countryside into our city, so I volunteered to head up our Town Branch Fund board to help raise \$30 million to build our park.

We started working on this about two years ago. The initial advisory board is only eight people. As soon as we are able to raise the majority of the money, we are going open it up to everyone in our community. When we get to that point I would love for every person in our community to give something to this park: 50 cents, a dollar, or whatever. But I want everybody to have ownership because this is our community's park.

We're going to be providing over 600 free programs a year for our community. We'll have an amphitheater, a dog park, a children's play area, wet splash area for kids, a big green lawn, a large area for soccer etc., and a lot of places to gather for coffee, food, wine and beer. We will have beautiful art throughout the park, and we will be telling the history of the piece of land and the settlement that was there many years ago. Town Branch Creek will run throughout the entire park, and we are going to clean the water by natural processes as well. There will also be a large educational piece for kids from all over to come and study the ecological part of our park.

Dan Jones says, "If you want to make this thing work you have to hold your

park to very high standards and clean your bathrooms six to seven times a day and have fresh flowers as well!" We will hold our park to very high standards. We have raised well over \$6 million so far for our \$30 million project.

MG: What's the timetable on the fund-raising?

AB: It is going on at the same time LCC is building the new convention center. I think they will start construction in June or July. So the big parking lot where our park will be is the staging area for them. We hope to complete the park within seven to eight years.

MG: So ideally, when the LCC convention center is finished, then everyone will shift gears into the commons?

AB: The Town Branch Trail part of the Town Branch Commons is going to break ground in April for infrastructure and so forth going down Midland Avenue and Vine Street. It is so exciting. This is going to be transformational for our downtown. I am so passionate about what makes us so special and that is our countryside, and we're bringing a piece of that into our city. I'm excited also about what impact this will have on our economic development downtown. Back when we started this two years ago, we all went to Dallas and Houston to visit parks that were connected to convention centers, to study the good, the bad and the ugly. One thing we saw in all the places we visited is that the economic development property around those areas was selling for \$80 a square foot prior to the park being built and \$500 a square foot after the park. Granted, we're not Dallas or Houston, but we're still talking about at least \$300 a square foot I would think. This will also finally give the Distillery District the boost that it needs to be completed.

MG: Kentucky Eagle makes giving back to the community part of its culture. Is there an approach to this corporate citizenship that you can recommend to other people?

AB: It's just called taking care of your community, which has been so good to our company since 1948. My father was a big believer in taking care of the community and my family and I are as well. We are very passionate about different things. One of my big passions is leaving something for my community that will benefit our community for generations to come – like our park. ■



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

Bankers Like the Business Prospects They See for 2018

Optimistic customers want loans to continue growing while rising interest rates mean better profits

KENTUCKY'S banking community is reflecting the optimism it feels from its clients, who had a strong 2017 and expect another good year in 2018. Economic fundamentals look strong, and there is demand for loans in nearly every category to fund ongoing business growth, construction and home buying. The economy is at last showing enough strength that the Federal Reserve is slowly increasing interest rates, which will help banks improve their margins. The state's major urban areas of Louisville, Lexington and Northern Kentucky will outperform the state as a whole. The headwind could be a tight labor market, with many companies telling banks they are having difficulty finding workers with the skills they need.



William J. "Bill" Jones
Kentucky
Market
President,
U.S. Bank

"Individuals and businesses of all shapes and sizes are as optimistic as they have been since before 2008. In 2017, we saw the Federal Reserve continue to increase interest rates, indicating that our economy is heading in a positive direction. Recently, U.S. Bank announced investments to our employees as a result of the federal tax reform

package. The investment includes a special \$1,000 bonus for nearly 60,000 employees, the raising of minimum wage to \$15 for all hourly employees and enhancements to employees' health-care offerings for 2019."



Chuck Denny
PNC Bank
Regional
President,
Louisville

"Louisville's economy is firing on all cylinders and we expect that to continue through 2018. This success is largely attributed to our large, diverse industrial base. Home prices are soaring and never dropped in Louisville as much as they did nationally. Job numbers are growing faster than the national average. Con-

sumer finances and confidence are also helping Louisville's auto-related manufacturers. The solid economic growth we see should span a spectrum of industries, including manufacturing, transportation, education, health care, finance and professional services. Despite the market's volatile start to 2018, investors should continue focusing on long-term goals to develop portfolios that match their risk and return objectives."



Bill Craycraft
Market
President, City
National Bank

mortgage market and the high acceptance of City's Champion Mortgage product, which should perform well as interest rates increase in the coming year. City is very optimistic about the 2018 economic outlook and anticipates another year of good performance from its Bluegrass region's retail, mortgage and commercial divisions."



Thomas F. Eller Jr.
Regional
President,
BB&T

year, especially the manufacturing, construction, health care, automotive and technology sectors. On the consumer side, we see increasing confidence as a result of a strengthening labor market,

"City National Bank has a very bullish outlook for the local and national economy in 2018. The recent tax cut and proposed infrastructure spending should push an already growing economy forward in a meaningful way. Of particular note is the strength of Central Kentucky's residential

mortgage market and the high acceptance of City's Champion Mortgage product, which should perform well as interest rates increase in the coming year. City is very optimistic about the 2018 economic outlook and anticipates another year of good performance from its Bluegrass region's retail, mortgage and commercial divisions."

"The U.S. economy's underlying fundamentals support continued growth in 2018. Optimistic clients are increasing investments in building and/or acquiring land, equipment and personnel, in part as a result of tax reform. We expect Kentucky companies to push for solid growth this

year, especially the manufacturing, construction, health care, automotive and technology sectors. On the consumer side, we see increasing confidence as a result of a strengthening labor market,

wage growth and lower income-tax burdens, even against a backdrop of mild inflation. Anticipated interest-rate hikes will likely bolster the financial services industry, specifically banking. In 2018, BB&T will continue significant technology investments to enhance customer experience and reduce cyber risk. We have capital for creditworthy borrowers to foster business growth and consultative advice to help clients achieve economic success and financial security."



Jean Hale
Chairman,
President/CEO,
Community
Trust Bank

"State and national conditions continued improving in 2017 and should stay on a path of growth in 2018. Improvement is evidenced by the Federal Reserve increasing interest rates and unwinding its balance sheet as the country saw decreased unemployment, increased business activity, and consumer spending and willingness to take on debt. Inflation and the sustainability of economic growth remain somewhat uncertain. The Tax Cut and Jobs Act's impact will be determined as its changes are fully implemented. Kentucky's economy exhibits strength in most regions; Eastern and Northeastern Kentucky remain weaker due to job losses and limited opportunities, but there could be significant positive change in these regions once several announcements regarding job creation and workforce retraining there begin."



Lloyd C. Hillard Jr.
President/CEO,
United Bank

"Business and economic outlooks remain positive for Kentucky and the U.S. in 2018. While Kentucky's growth has been slower than national trends, it is improving. For progress to continue, budget and pension issues must be addressed by the governor and General Assembly.

Drivers of economic activity within the commonwealth continue to be the Central Kentucky markets of Lexington and Louisville, along with Northern Kentucky. Business investment and employment gains

BANKING OUTLOOK

have been robust in these regions the past year. These improvements are leading to lending opportunities for commercial real estate and residential mortgages.”



Luther Deaton Jr.
Chairman,
President and
CEO, Central
Bancshares

“We expect Kentucky to grow at about the same rate as the national economy in 2018. However, Northern Kentucky, Louisville and Lexington should outperform the rest of the state, based on improvements in job growth and increases in wages. Uncertainty is still an issue for many families, as our legislators struggle with pension reform. We need to create more middle-income jobs across the state to improve household income for the majority of our citizens. Consumer spending is leading to growth in small business, especially in the service sector. We see modest housing growth, mostly from sales of existing homes. Rates will continue to be attractive for home buyers for at least another year.”



Ballard Cassady
President/CEO,
Kentucky
Bankers
Association

“2018 will be better than average for banking, which has been stymied in serving its communities by the regulatory dictates of Dodd-Frank the past few years. However, poised for passage and sitting on Sen. Mitch McConnell’s desk is SB 2155, “The Economic Growth, Regulatory Relief and Consumer Protection Act,” a bipartisan bill that allows banks under \$10 billion in assets to get back to lending in their communities. The reforms in the new Tax Cuts and Jobs Act lowered the tax rate and will promote growth both in small and large business loans. In turn, increased hiring and higher wages should stimulate the economy. We expect merger and acquisition strategies to increase in this new environment.”



John Gohmann
Regional
President,
Lexington,
PNC Bank

“The economy in Lexington and Central Kentucky continues to be robust. We expect more activity offering loans to assist businesses and their owners in capitalizing on opportunities created by the new tax reform. The low unemployment rate in Lexington and Central Kentucky will spur competition among businesses, with a tight labor market and favorable mix of jobs lifting wage growth. We are fortunate to have a diverse economy locally led by education, manufacturing and medical services. The

University of Kentucky remains a force, contributing to Lexington’s stability and supporting economic growth. The potential to improve labor force participation among the younger population is higher than anywhere in Kentucky or nationally.”



Bill Alverson
CEO,
Traditional
Bank

“The national economy is expected to expand throughout 2018. Measures of inflation are increasing; driven in part by tight labor markets, strong growth and a weak dollar. Economic growth and inflation expectations suggest the Federal Reserve will raise short-term rates multiple times in 2018, increasing borrowing costs for consumers and businesses. Housing construction will be robust in 2018 as builders continue to quickly absorb new lots in Fayette County. Housing affordability will become more pronounced as prices continue to rise faster than wages. The land swap announced last year between UK and LFUCG is expected to provide much-needed commercial land supply for economic development.”



Scott Svengros
Market
President
Central
Kentucky, Old
National Bank

“Generally we see positive sentiment from clients regarding their outlook for 2018 and expect a broad-based expansion. However, we are hearing that it is tough to find workers across a number of sectors in our local economy, which is consistent with national discussions by business owners and companies. The tighter labor market is indicating we are near full employment, hinting that late-cycle business trends could start to emerge. For example, the Employment Cost Index rose at a 2.6 percent annual pace in the fourth quarter of 2017, its strongest reading since 2008. Core CPI increased 2.5 percent and an upward bias on wages and prices is moving the Federal Reserve to a less accommodative monetary policy.”



H. Lytle Thomas
President/CEO,
Heritage Bank

“I see strong loan demand for consumer, commercial and real estate loans driven by business expansion and the need for labor as revenues grow. Transportation and logistics, medical services, professional services, construction and manufacturing are all contributing to growth. The market is seeing projects in the urban core, with demand driving mixed-use commercial

real-estate developments that provide retail, entertainment and housing. Housing inventory, particularly for first-time homebuyers, is limited, which has led to a seller’s market. I expect strong demand for housing during the balance of 2018, but this may ease if mortgage interest rates continue to rise. Some reservations: Record-low unemployment and continued economic expansion may lead to a labor shortage. Housing inventory might be limited by the lack of skilled labor to build new homes fast enough. Companies are looking to hire skilled employees to continue their growth, but are challenged to fill positions. Overall, these are good economic times.”



Mike Ash
Kentucky
Regional
President, Fifth
Third Bank

“Optimism defines business leaders’ sentiments about 2018. The National Federation of Independent Business Index of Small Business Optimism is the highest it has been in the past decade. Stronger demand is fueling expectations for increased revenue growth, with the availability of skilled labor in Kentucky being the only drawback for even greater growth. Improved valuations and an active private-equity market are driving acquisition and selling opportunities. Our most frequent conversations have involved helping our clients finance their growth, including acquisition financing and assisting with their business transition strategies, such as sell-side advisory services, succession planning and wealth planning.”



Paul Costel
Managing
Director,
Commercial
Bank,
JPMorgan
Chase

“Business owners are feeling better than they have in years, thanks to recent regulatory reform, corporate tax cuts and a steadily improving economy. Their optimism translates to business activity, which is why we’re seeing increased hiring, higher capital expenditures and rising wages. For businesses that can hire and retain talent in today’s tight labor market, there are growth opportunities. However, many businesses are nervous about finding the skilled workers they need to grow as older workers retire. We’ve found about 45 percent of our midsize-business executives are very concerned about it, as are 31 percent of small-business executives. That’s why we’ll continue our collaboration with the business community, education institutions and others to address workforce issues, because our businesses are raring to go.” ■



Teaming Up to Tackle Cancer

UK Markey Cancer Center's 20 affiliates share data and advanced precision treatments

BY ABBY LAUB

LUNG-cancer survivor Dr. Tim Mullett sees cancer patients with great empathy. As the University of Kentucky Markey Cancer Center Affiliate Network medical director, Mullett brings his firsthand experience with cancer to patients who are grappling with the disease.

His approach filters through to oncologists throughout the state via the network, which combines the skills of Mullett and hundreds of doctors, researchers and staff at 20 facilities around Kentucky who are all fighting the disease using shared best practices, procedures, expertise and clinical research. All of their thousands of patients have access to treatments that have earned Markey a prestigious National Cancer Institute (NCI) designation.

The network is especially important for Kentucky, where cancer rates are the highest in the nation, especially for lung cancer. Founded in 2006 with three member facilities, the system provides high-quality Markey cancer care closer

to home for patients and lessens cancer's impact through prevention and education programs, exceptional clinical care, and access to research.

Mullett, a cardiothoracic surgeon and colonel in the U.S. Army Reserve, is excited by the possibilities the network creates, partly because he experienced the benefit of targeted cancer therapy himself in 2012. He wants the same for others.

"How the network really started was Markey Cancer establishing clinical relationships with other facilities to deliver care in areas that didn't have cancer care," Mullett said. "As we have evolved, we've gone to facilities that are farther into Eastern Kentucky and in larger facilities. And since our NCI designation, things have really dramatically changed.

"We really began to look at how to help these programs increase their over-



Dr. Tim Mullett,
Medical
Director, UK
Markey Cancer
Center Affiliate
Network

St. Elizabeth Healthcare last year revealed plans to spend more than \$100 million to build a cancer care facility (conceptual rendering shown) in Northern Kentucky that will create hundreds of jobs by 2020 and this month became the newest member of the UK Markey Cancer Center Affiliate Network.

all quality of care and make sure that the cancers that can be, are treated close to home. And for those who need to be treated at NCI-designated facilities or require advanced services at Markey Cancer Center, making sure those (services) are easy to obtain."

Shared data improves care

What makes the network unique, Mullett said, is its mutually beneficial, two-way data street between Markey and its affiliates, which now are spread around the state. The newest source of data is in Northern Kentucky. Effective March 2018, St. Elizabeth Healthcare joined the Markey Cancer Center Affiliate Network, further expanding its growing relationship with UK.

"We are proud to team up with the University of Kentucky Markey Cancer Center, which is recognized as one of the nation's leading cancer-care and research centers in the country," Garren Colvin, president and CEO of St. Elizabeth Healthcare, said in a news release. "This affiliation fits well with St. Elizabeth's vision of leading Northern Kentucky to become one of the healthiest communities in America. We expect this affiliation to enable us to deliver truly exceptional cancer care and better the lives of our patients, their families and the greater community we serve."

St. Elizabeth operates six large facilities in Northern Kentucky and more than 115 primary-care and specialty-



Garren Colvin,
President/CEO,
St. Elizabeth
Healthcare



Markey Cancer Center at the University of Kentucky has the region's only National Cancer Institute designation.

HEALTH CARE

office locations in Kentucky, Indiana and Ohio. It serves more than 315,000 patients annually, 10,000 of whom seek treatment for cancer.

"We wanted to work with a system that has always put patient care first, and with one that shares our own vision of making our community one of the healthiest in America," said St. Elizabeth Healthcare Oncology Services Executive Medical Director Dr. Douglas B. Flora. "We have shared patients with Markey oncologists for years, and have found their doctors to care about the same things we value here: personalized care, good communication, attention to detail."



Dr. Douglas B. Flora,
Executive Medical Director,
St. Elizabeth Healthcare Oncology Services

Access to clinical trials, new treatment

"Like us, they value clinical research and are early adopters of technologies like molecular tumor boards and precision medicine. It really seemed to be a perfect fit for both groups, and evolved into a tight affiliation, giving both of our patients improved access to new drugs and trials, subspecialist care and ongoing community education."

UK Markey Cancer Center Affiliate Network Members

The UK Markey Cancer Center Affiliate Network was created in 2006 and is comprised of the following 20 Kentucky hospitals:

- Clark Regional Medical Center, Winchester
- Frankfort Regional Medical Center
- Georgetown Community Hospital
- Hardin Memorial Hospital, Elizabethtown
- Harlan ARH Hospital
- Harrison Memorial Hospital, Cynthiana
- Hazard ARH Regional Medical Center
- Highlands Regional Medical Center, Prestonsburg
- King's Daughters Medical Center, Ashland
- Lake Cumberland Regional Hospital, Somerset
- Methodist Hospital, Henderson
- Norton Cancer Institute, Louisville (Norton Healthcare-UK HealthCare partnership)
- Our Lady of Bellefonte Hospital, Ashland
- Owensboro Health Regional Hospital
- Rockcastle Regional Hospital, Mt. Vernon
- St. Claire Regional Medical Center, Morehead
- St. Elizabeth Healthcare, Edgewood
- The Medical Center at Bowling Green
- TJ Samson Community Hospital, Glasgow
- Tug Valley ARH Regional Medical Center, South Williamson



St. Elizabeth medical oncology serves 2,800 patients and has approximately 80,000 patient visits a year.

"Sadly, the number of patients needing cancer services continues to increase yearly and has increased almost 16 percent since 2000," Flora said, adding that Northern Kentucky has an extremely high rate of death for cancer compared to the nation. "Lung cancer is the most common cause of cancer death and colorectal cancer is the second most common cause of death in Kentucky. Because of these grave statistics, St. Elizabeth Healthcare pursued this Markey affiliation, and is also investing heavily in a nearly 200,000-s.f. comprehensive cancer center slated to open in 2020."

The new center is estimated to cost \$130 million and aims to be the top regional cancer provider, offering patient-centered, early detection, comprehensive treatment services.

Markey Cancer Center is one of only 69 medical centers in the country with an NCI designation. That gives patients access to new drugs, treatment options and clinical trials offered only at NCI centers. Markey affiliates have this backing and provide crucial data in return. Members of the affiliate network are expected to maintain high standards and keep accreditation with the Commission on Cancer, which can be done with assistance from Markey staff.

NCI wants regional impacts

As of January 2018, Owensboro Health also joined the Markey Cancer Center Affiliate Network. They were already part of the Markey Cancer Center Research Network – having joined that network in July 2017 – and doing a great deal of work in connection with lung cancer. Owensboro Health's Mitchell Memorial Cancer Center sees more than 1,000 new cancer patients annually.

Owensboro Health President and CEO Greg Strahan said the hospital's relationships with Kentucky's universities have always been integral to its mission. His own desire to help began in his 20s when his first wife died of cancer.

Owensboro Health, which opened a new 477-bed medical center in 2013, joined the Markey Cancer Center Affiliate Network in January 2018 to offer oncology patients access to more sophisticated treatments and clinical trials.

"We've tried to stay on the forefront in terms of working to identify options to reduce the mortality of lung cancer," he said, noting the hospital's extensive work in lung cancer screenings. "We've tried to do our diligence in spreading our lung-cancer knowledge, and the (Markey) relationship has been in a state of evolution for some time."

Owensboro Health Director of Cancer Services Bonnie Roberts said the hospital's partnership with research universities dates back to the early 2000s, when it partnered with both University of Louisville and Markey to develop a cancer network for clinical trials for lung cancer.

Tumor gene sequencing targets therapy

"Probably one of the most interesting and exciting things on the horizon for all of us in cancer is Markey's molecular tumor board, or targeted therapies," Roberts said. "That was one of the things we were going to gain through this affiliation and research partnership. Already we have patients that our physicians locally are presenting to the tumor board. It gives our patients the opportunity for us to send parts of their tumor to a place that will assess it and see if there are any FDA-approved drugs that will match it. We hope that some of those targeted therapies will change the face of cancer for many of our patients."

UK also is beefing up its cancer programs, like gene sequencing individual tumors to find how best to treat them.



Greg Strahan,
President/CEO,
Owensboro Health



Bonnie Roberts,
Director of Cancer Services,
Owensboro Health

Such cancer-care work is at the forefront of the institution's mission, Dr. Robert DiPaola, dean of the UK College of Medicine said in a December 2017 *Lane Report* interview.



Dr. Robert DiPaola, Dean, UK College of Medicine

"One initiative we just launched called 'precision medicine' can do genomic gene sequencing on patients," DiPaola said. "The majority of it is with cancer patients; they can get their tumor analyzed doing gene sequencing, and then a molecular tumor board meets to reason out the best option of therapy for the exact genes that are abnormal in that particular individual. When people talked about lung cancer in the past, they usually talked about three or four different types. Gene sequencing might see 200 different combinations of gene changes very specific to a particular individual, and in many cases we now have targeted therapies specific to those gene changes."

Roberts also cited Owensboro Health's recent purchase of a Varian TrueBeam radiology system, technology designed to support quicker and more advanced cancer treatment options.

Sophisticated tools and analysis

Strahan emphasizes the benefits of the vast knowledge gained through gathering and sifting affiliate data to solve problems, even one as difficult as cancer.

"It's hard for us not to believe that with artificial intelligence and so much data gleaned through, compared and evaluated" that cancer could potentially be cured or at least its treatment continually improved through the answers found in this data.

"I go back to my late wife and think that cancer has the same outcome today as it did 35 years ago," Strahan said. "Nothing has changed, but we are – in my mind – on the brink of technology that will revolutionize cancer treatment."

Roberts said the hospital hopes to "roll out clinical trials for patients in the next few months. The molecular tumor board trial a big one. We really want to have as many trials that are appropriate to be run in this community. We have right now about 12 or 15 trials open."

'Making a huge difference in lives'

Markey's all-new Precision Medicine Clinic is dedicated to providing patients with increased access to phase I and phase II clinical trials. DePaola cited UK's solid metabolomics center, exper-

tise in prevention, drug abuse and other cancer niches that can be carried out into its affiliate network communities.

Strahan called UK's research involvement a "real blessing for the state of Kentucky" and noted that the cost of joining the Markey affiliate network is minimal.

"It has the capability of making a huge difference in the lives of people across the state, and we are a part of it," he said. "We'll have lots of future opportunities working together to change the face of cancer. If we can't do something different tomorrow for cancer, then we're not doing our jobs well."

He pointed out that Markey and its affiliates represent 60 percent of the cancers diagnosed in the state, and the results are being examined.

"We're seeing that our affiliation is associated with an increase in adherence to the standards that have been associated with better-quality care," Mullett said. "I think over the next few years we'll be able to demonstrate that the affiliate network is raising the care across Kentucky and is impacting lives. We've already seen it in many examples." ■

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

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Private Financing for Public Infrastructure



A new fund formed by Kentucky community banks wants to put its money into projects so taxpayers don't have to

BY GREG PAETH

SIX Kentucky community banks that could be competing for business have agreed to work together as charter members of the specialty \$150 million Commonwealth Infrastructure Fund to finance public-private partnerships (P3) in Kentucky.

In the next few months, CIF is expected to reveal one or more inaugural deals.

"We are looking at five to 10 potential projects that should start sometime in 2018. We expect to make loans to two or three projects in 2018 after the underwriting process has been completed," said John Farris, who manages CIF. "We believe we will lend out all \$150 million over three to five years – \$30-\$50 million a year."

One development team already has a tentative green light for a P3 project it is

pursuing through a local government request-for-proposal process.

"The development team's response to the RFP contemplates using the CIF for construction financing," Farris said. "The loan will be made by CIF only if this development team is awarded the P3 project by the local government."

CIF announced its existence last October with one overriding purpose: allowing Kentucky community banks to compete with huge national institutions that typically finance larger, multimillion-dollar P3 projects.

CIF also could mean better use of assets for private banks and better roads, bridges, buildings and more for public taxpayers. It's been harder for banks to qualify borrowers and put their assets to work since 2010's Dodd-Frank Act, and demand for public infrastructure outstrips the commonwealth's supply of public dollars.

The \$763 million Ohio River Bridges East End Crossing project includes financing, design, construction, operation and maintenance for 35 years of a bridge that links Kentucky to Indiana. It opened in late 2016. The project involved WVB East End Partners, the P3 developer; Walsh-VINCI Construction as the design-build contractor; and Parsons as the general engineering consultant.

CIF believes it is the only fund of its type created specifically to handle public-private partnerships. Each of the six member banks committed \$25 million to the partnership, creating a lending pool of \$150 million.

"The organization was set up so the smaller banks could participate ... because the projects are potentially of such a size and scope that they would be too big for the community banks," said Farris, who is also president and managing partner of Commonwealth Economics, an economic consulting firm in Lexington that works with public and private clients.

"They (the banks) know these projects and they know the areas, so they want to have an opportunity to participate in the financing," he said. "That was the primary reason to pool resources: so that if there was a project in the \$20-\$50 million range, combined, the six banks could lend to these projects and feel good about their ability to be competitive as a lender."

"By coming together (as CIF) we can address some of the needs that are beyond the capacity of any one individual community bank. Otherwise they go to very large out-of-state financial institutions," said Lloyd Hillard, president and CEO of United Bank & Capital in Frankfort, one of the CIF partners.

"If we have a \$30 million project, for example, each bank participates up to \$5 million, so that means one bank doesn't



John Farris,
President,
Commonwealth
Economics



Lloyd Hillard,
President/CEO,
United Bank
& Capital



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COVER STORY

Champion's Court, shown in a rendering here, is part of a \$450-\$500 million student housing project EdR Trust has financed, built and will operate at the University of Kentucky campus.

have to go (and assume all the risk for) the \$30 million. Each bank has to make its own credit decision, so (participation is) going to vary from project to project.”

Bridge financing for bridges?

For decades, public agencies have paid for roads, sewer systems and airport improvements by either raising taxes or issuing bonds. But such bonds often are issued for 25 or 30 years, a period of time that isn't appealing for banks that have to answer to regulators and shareholders annually or quarterly.

Both Hillard and Dan Mason, chief lending officer for Traditional Bank, said CIF might become a source of bridge funding that gets projects started, completed and stabilized before the banks then make a timely exit.

“The length of the projects will vary. There are other kinds of long-term financing that might be more attractive” for borrowers later on, Hillard said. “For example, insurance companies – large insurance companies – invest in stabilized projects based on cash flow, and they offer very long-range, fixed-rate (financing) in many cases that is much better than what banks can offer... Thus, the banks could go on to other projects.

“The primary focus here is to get projects started, constructed and underway and then move on to something else. We don't normally book 25-year projects; we want to turn it over and move on to something else...”



Dan Mason,
Chief Lending
Officer,
Traditional
Bank

Commonwealth Infrastructure Fund

Participants each pledged \$25 million toward financing public-private partnership infrastructure projects in Kentucky.

BANK, HOME CITY	ASSETS
Stock Yards Bank & Trust, Louisville	\$3.23 billion
Central Bank & Trust, Lexington	\$2.4 billion
United Bank & Capital Trust, Frankfort	\$1.63 billion
Traditional Bank, Mt. Sterling	\$1.41 billion
Kentucky Bank, Paris	\$1.05 billion
Commonwealth Bank & Trust, Louisville	\$990 million

Source: iBanknet



Mason agreed that the CIF banks likely won't have to commit their money for decades.

“It's a possibility; that happens regularly out in the world. If the return's right, then maybe somebody (another financier) is willing to pay a little bit more than the book value to get that stream of cash flow,” Mason said.

CIF's structure gives member banks flexibility.

“You've just got to get things in place so when something comes along you can be prepared to react,” Hillard said.

Part of a shift toward P3 deals

Historically, public agencies built a road or parking garage or bought computer services for an office from private firms by contract, spending public dollars in their treasuries to do so. As political sentiment has changed and budgets tightened, public officials increasingly have declined to raise taxes, issue bonds or increase fees to pay for projects. Public-private partnerships that perform projects without committing taxpayer dollars are becoming a preferred approach.

The state's Finance and Administration Cabinet has a fairly simple definition of these partnerships: “A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.”

The Kentucky Chamber, the Kentucky League of Cities and the Kentucky Association of Counties all had input in shaping a P3 legislation update in 2016, which they support as a valuable tool “to address critical infrastructure problems.”

However, the chamber also advises P3 is not a “silver bullet” that will solve all the state's infrastructure funding problems. P3s are not immune to risk.

The state's most ambitious P3 project, KentuckyWired – which will create a gigabit-speed internet network with

nodes in all 120 counties – is over budget and behind schedule. Initially expected in 2016, completion of a first phase in Eastern Kentucky is now slated for late 2018. In December, Moody's Investor Service downgraded some \$300 million in bonds issued for the project from “stable” to “negative” because of delays and cost overruns.

In Indiana, privatization of the Indiana Toll Road, a \$3.8 billion P3 project in 2006, wound up in bankruptcy early this decade when truck traffic on the Chicago-to-Ohio artery was only half that needed to repay its bonds.

On the other hand, the \$2.3 billion Ohio River Bridges Project, a joint Kentucky-Indiana P3 deal, came in on time and under budget, and is generating higher than projected toll revenue, according to bondbuyer.com.

Farris, Hillard and William M. Alverson, CEO of Traditional Bank in Mt. Sterling, all point out that the institutions have legal lending limits enforced by bank regulators that cap how much they can invest in any one project. Limits are determined by a formula that weighs a bank's assets and the level of risk.

Besides outside regulatory lending limits, the banks also have internal policies that govern how bank funds are invested.

Farris points to the ongoing dorm construction at the University of Kentucky by Memphis-based EdR, a real estate investment trust, as a good example of how public-private partnerships have worked in Kentucky. EdR financed all \$450 million of its five-phase, on-campus student housing development.

Staying with what you do best

“Whatever the policy objective is, you start with that first. Then you say, ‘Is this something that the private sector might be able to use their expertise in?’” Farris said. “UK is great at educating students, but they realize there might be companies out there that are a lot better suited to building and operating dorms. So you look to a

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COVER STORY

The new 600-student Martin Hall residence dorm completed last year is part of Eastern Kentucky University's P3 project with F2 and Grand Campus.

private partner and say, 'What are the advantages?' And oftentimes they can do it quicker and more efficiently because they're used to doing it every day."

About 30 miles south of UK's Lexington campus, the Madison County Fiscal Court is debating whether to move ahead with a project called The Healing Center that would provide care for people battling substance abuse.

If the county approves the project, a key question is whether it would be a traditional build-to-suit project in which the contractor is paid to build the facility or be built through a P3, said Madison County Deputy Judge-Executive Colleen Chaney.

Madison County received three bids in January for \$8-\$10 million, Chaney said. All three bidders said they would do the project on a build-to-suit basis, with Brett Construction of Lexington, working with the Walton Co., also offering a P3 option.

The build-to-suit approach is a short-term relationship that ends upon acceptance of the facility, with the county responsible for financing. A P3 plan for The Healing Center would involve an ongoing relationship of 20 years or more because the contractor would be responsible for financing construction and maintaining the building while Madison County leases it, she said.

Meanwhile, 10 companies say they would work with Madison County to manage the center and provide the desired programming on a P3 basis.

"With The Healing Center, I think it's (P3) the right way to go on this project," said Madison County Judge-Executive Reagan Taylor. "Government in general



Colleen Chaney, Deputy Judge-Executive, Madison County



Reagan Taylor, Judge-Executive, Madison County



doesn't have the expertise to do recovery and healing, so it's good to use a P3 and experts and partner with them to do what they do best."

P3 law update set the stage for CIF

The P3-expanding legislation enacted by the General Assembly and signed by Gov. Matt Bevin in 2016 also provided an impetus to create the CIF.

Over the preceding years, a long list of P3 projects were completed in Kentucky, and most other states have adopted legislation that allows for public-private partnerships.

The updated law broadened the private sector's options, Farris said.

"The best thing about the law is the ability to do unsolicited proposals," he said. "The new law codifies the process for the private sector to bring the public sector money-saving ideas."

The 2016 law spells out a precise procedure by which a private party may present a P3 proposal to a public agency.

"In the past if you did that, you may have been precluded from (subsequently) bidding on that because you had had that contact with officials. ... This changes the landscape and says, 'Bring us your good ideas,' " Farris said.

Mike Burnside of the Kentucky Finance and Administration Cabinet said the new structure clears the way for the commonwealth to solicit P3 proposals or "have an unsolicited P3s where a developer comes in and approaches the commonwealth and says, 'I've got a great idea. I would like to put a hotel or a recreational area or a water park or whatever on your property at this location. I will provide all of

the funding up front and operate it, and we'll do a revenue-sharing type thing over the years.'"

Such an agreement alleviates dependence on state bonds to pay for a project, said Burnside, who is commissioner for facilities and support services in the cabinet.

Participants are state-chartered banks

The banks signed on to participate in CIF are some of the largest state-chartered institutions in Kentucky (ranked by assets).

Five of the 12 state banks with more than \$1 billion in assets are among CIF's six members. The sixth CIF bank, Commonwealth Bank & Trust of Louisville, isn't far behind. Commonwealth had more than \$990 million in assets at the end of January, according to iBanknet, which gathers financial data from federal regulators.

Although each of the banks has pledged at least \$25 million for the partnership, they're not obligated to participate in all projects, according to Farris and the CIF banks' executives.

Regarding sitting down at the table with some of his competitors when CIF members gather to talk business, Mason, Traditional Bank's representative, said things have progressed smoothly.

"So far there's been good open communication, and we're all working toward a common goal," said Mason, who acknowledged that competition for business has been discussed. "We talked about that early on – putting the interest of the commonwealth (Kentucky) at the fore. So far, in the early phase, it's gone well." ■

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

One current Kentucky P3 infrastructure project will replace the aging Capital Plaza state office building with a five-story, 385,500-s.f. building that will house 1,500 employees and include a 1,100-space parking structure. CRM/D.W. Wilburn of Lexington will design, build (including demolition), finance and operate the new facilities for annual lease payments of \$7.3 million (\$18.86 per s.f.) for 30 years.



Growth, Good Returns Should Continue in '18

Kentucky wealth managers see a solid economy that will benefit from recent tax reform

KENTUCKY wealth managers like what they see for 2018. General economic conditions not only remain strong, they've been improved by tax reform that provides direct benefits to corporate earnings, which are likely to grow. It looks like a good year for the economy and investment returns, even though the markets have been volatile in the early portion of 2018 and come off a string of record highs. Nice GDP growth is the forecast. Further volatility is likely, but the world's major economies are all growing and interest rates and inflation remain historically low, so patience is advised for anyone who feels their assets are allotted to solid, quality investments. That said, overaggressive increases in interest rates by the Federal Reserve toward the end of the year could slow down investment and growth.



Todd P. Lowe
President,
Parthenon LLC

"The U.S. economy continues to be in a 'sweet spot' with corporate earnings growing, low inflation and low interest rates. Of course, the Federal Reserve is likely to raise rates several times this year, but even in light of those increases, rates remain historically low. The threat of recession remains distant, with the backdrop of global growth finally recovering, including emerging markets that have been lagging in recent years. Overall, investors may not see returns as robust as 2017, but the environment remains constructive."



James R. Allen, CFA
Chairman
and CEO,
Hilliard Lyons

"The undeniable bull market for equities seemingly had no end until the recent pullback. Clearly, a solid economy and conviction that corporate tax cuts will fuel strong double-digit earnings growth produced the optimism that previously pushed stock prices to record highs.

While the trends of higher interest rates and growing inflationary fears in response to economic strength pose a risk to the markets, robust economic fundamentals are providing a solid foundation for stock prices that should limit any protracted downward pressure. Given the magnitude of the market's upward move, volatility may reappear from time to time, and any weakness should be viewed as an opportunity to add to equity positions. As always, patience, discipline around quality, and a long-term perspective should be overarching themes for investors."



Kirk Schmitt
Vice President,
Senior Equity
Manager and
Strategist,
Community
Trust Wealth
and Trust
Management

"We expect greater volatility in 2018 but continue to believe that market corrections are buying opportunities. The synchronized nature of global GDP growth and domestic tax reform support our overweight-equities thesis. Domestically, we continue to favor financials and cyclical as these areas should see outsized gains from stronger GDP growth. We are also increasing our international and emerging market exposure as we see discounted valuations and greater potential for operating margin improvement. Our enthusiasm would moderate if inflation and interest rates rise too quickly. On the fixed-income side, we continue to favor municipal bonds in this environment."



Chad Sturgill
Senior Portfolio
Manager,
Unified
Trust Co.

"Economic growth should remain robust in much of the world. The economic impact of the recently passed federal tax reform legislation is expected to be significant, already boosting 2018 corporate profit forecasts by 7 percent. Though equity valuations remain elevated, higher profit forecasts, low inflation and low interest rates



provide a benign environment for further appreciation. The Fed is expected to raise interest rates by 0.25 percent three times this year. However, rates are expected to remain low by historical standards. Bond yields have risen sharply recently, hampering fixed income returns. Potential risks to economic growth include accelerating inflation, an overly aggressive Fed and higher borrowing costs."



Kristopher J. Kellinghaus
Senior Vice
President,
Chief Investment
Officer,
MCF Advisors

"We expect economic strength in the U.S. to continue through 2018 based on growth in corporate earnings (private investment should be significantly higher this year) and strong consumer sentiment/demand (supported by benefits from tax reform and improvements in the labor market). Real GDP growth should be above trend, especially in the first half of the year, but changing monetary policy may put pressure on economic activity towards the end of 2018. Higher-than-expected inflation could cause interest rates to rise more quickly and the Federal Reserve to react more hawkishly, which is typical near the back end of an economic cycle. Globally, economic strength should continue as well, providing additional support to large, multinational corporations based in the United States." ■

2018: A Good Year for Business and for Accounting

Strong economy will accelerate the disruption and change that fuel further growth

BY MARK GREEN

KENTUCKY CPA firms expect 2018 to be a year of positive change and growth in demand for their services. The federal Tax Cuts and Jobs Act reforms should motivate clients in every category to come seeking advice on how to improve their financial strategy and possibly reorganize their business structure. Tax reform has improved everyone's mood about the growing economy. Ongoing technological disruption was already generating increases in productivity and motivating clients to examine how to make their operations better – CPA firms included. Everyone is working to keep pace with improving technology and hire enough talent to meet growing demand. The headwinds come from Frankfort, where the state's elected policymakers still need to figure out how to address the state's unfunded pension liability and make Kentucky's tax system more modern and competitive.



Diane Medley
Managing Partner,
MCM CPAs & Advisors

"The new federal tax reform legislation will positively impact the economy of the commonwealth, but unfortunately we continue to feel the overall negative impact of our own state tax system and pension crisis. All of us in the business world see clients making long-term decisions in this uncertain state environment with a significant amount of concern over whether real change will occur. Granted, the federal law will incentivize businesses to make capital investments and to use these dollars toward reinvestment, growth and expansion of product offerings and services, but for Kentucky, caution will counteract significant upside benefits. We also

continue to struggle with talent retention and attraction, and this will continue until our state fiscal house is put in order."



Alan Long
Managing Member,
Baldwin CPAs

"The strong economy in 2018 will be good for all businesses and translate into the need for more of the services accounting firms provide. CPA firms have been growing as the changing business environment generates demand for more and different services. Traditional services are being disrupted by technology and tax law changes. The new tax bill will create greater demand for firms that work with small to medium-size businesses. Firms will see more requests for advisory services. The biggest obstacles for firms are the talent war and adopting new technologies. The strong economy will lead to more and faster continuing disruption. This will cause companies to look at their business models and make changes. These changes will also promote growth in the economy."



William G. Meyer III
Managing Partner,
Strothman and Co.

"What a year 2018 will be for CPA firms. Technology advances, including artificial intelligence and data analytics, are rapidly changing our profession. That, combined with the planning and revisions as a result of the new tax law, will make this upcoming year one of change and, hopefully, significant growth. Virtually every company will need to analyze its tax structure in light of the new rules. In addition, our clients are expecting timely advice and assistance with business strategy as

opposed to 'number crunching.' Our firm recently made a six-figure investment in tax-return preparation technology in order to keep up with client expectations and position us for the future. We intend to capitalize on the great opportunities headed our way in 2018!"



Steve Jennings
Crowe Horwath LLP,
Local Office Managing Partner,
Lexington

"In 2018 the economy will to be largely driven by legislative initiatives, both nationally and here in Kentucky. Due to the Tax Cuts and Jobs Act, we anticipate continued growth for the accounting industry as our clients look for assistance navigating the new tax law. In Kentucky, expect the pro-business administration to continue to spur economic growth, but this could be tempered as the administration undertakes solving the underfunded pension crisis. Additionally, the accounting sector will be significantly impacted by artificial intelligence, robotic process automation and blockchain in next few years. Technology is changing almost everything that we do – how we run our firm, serve our clients, interact with our people, who we hire, etc. Companies are eager for guidance on preventing and responding to cybersecurity threats. In Kentucky, we expanded our expertise in this area when we welcomed the people of SDGblue, a Lexington-based cybersecurity risk management firm, to Crowe last April."



David Bundy
President/CEO,
Dean Dorton

"In spite of continued low annual economic growth and the political battles that continue to rage in Washington, the national economy seems to be quite healthy and poised for continued success. Unemployment is at a 17-year low, inflation is in check, interest rates remain low, and consumer confidence is high. Combining these factors with the push for reduced regulation and the boost to disposable cash (for both corporations and individuals) expected from

the impact of the new tax law, we expect the economy to continue to grow in 2018, perhaps at an accelerated pace. Our firm is looking forward to a strong 2018 as we assist our clients in tackling their challenges, meeting their goals, and taking advantage of new opportunities.”



Brian Malthouse
President,
VonLehman
CPA &
Advisory Firm

“It’s obvious tax reform and the new revenue recognition standards will be top-of-mind for businesses in 2018. However, we’ve noticed companies today want an entrepreneurial approach from their accounting firm. Each business is different, relating to their specific needs, and most desire a collaborative solution from their service team. We’ve found more companies today are asking for outsourcing models to help or replace their accounting functions such as human-resources solutions, merger and acquisition assistance, succession planning, creative tax ideas, retirement planning, etc. As for our industry, we fully expect the trend of mergers and acquisitions in our region to continue over the next decade as firms plan for



succession and the recruiting and retention of top talent becomes crucial to ongoing success.”



Darlene Zibart
CEO, Kentucky
Society of CPAs

“Accounting firms will continue to play an important role in Kentucky’s – and the nation’s – economic growth and job creation. The U.S. Bureau of Labor Statistics forecasts accountant and auditor employment to grow 11 percent through 2024, with 142,000 more

jobs; that’s faster than the average for all occupations. The U.S. Bureau of Labor Statistics in May 2016 reported a \$63,790 average wage for accountants and auditors in Kentucky. A recent American Institute of CPAs survey found nearly three-fourths of business executives are optimistic about the U.S. economy for 2018, a consensus not seen since before the Great Recession. That survey includes CPAs in U.S. companies who hold executive and senior management accounting roles. The data point to a favorable scenario for the accounting profession.” ■



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EMERGING LANE

Kentucky's young professionals and creatives

Home-Grown Innovation

Incubators and accelerators help Kentucky entrepreneurs start and grow their businesses

NEW business start-ups in Kentucky have numerous tools at their disposal, thanks to a vibrant scene of incubators and accelerators.

Much of this work was kickstarted in 2001 with the founding of the Kentucky Innovation Network by the Kentucky Cabinet for Economic Development (CED). Each of KIN's 10 regional offices and two satellite offices receive a dollar-for-dollar match from CED and its partner organization.

Last year the Kentucky Innovation Network's clients helped create more than 2,000 new jobs with median wages of \$56,000 per year, which is above the state and national averages for a single worker.

Here's a look at some of the innovative activity around the state:

Kentucky Innovation Network, London

Each office within the Kentucky Innovation Network has a partnering organization. In London, it's Kentucky Highlands Investment Corp., which has been around since 1968.

Companies whose owners have benefited from the network in London include Curbside Enterprises; Four Corners Pet Food; Frontier BioPharm; Inquiry Technologies; and Symbiosis Media Group.

Suzan "Suzi" Hixon is a trademark attorney who lives on a farm just outside London. She rents office space at Kentucky Highlands Innovation Center and meets with clients via Skype from her cubicle.

"I would strongly encourage anyone who desires a nontraditional working environment to consider a co-working

space," said Hixon, who used co-working spaces in San Francisco.

The Innovation Station, Madisonville

A train depot built in 1929 now houses 40 spots for incubator clients and co-working spaces in Madisonville. The Innovation Station opened in November 2017 as part of the Madisonville-Hopkins County Economic Development Corp.

Some of Innovation Station's most sustainable and profitable startups are very low tech.

"They are focused on delivering products and services that revolve around construction such as plumbing, electrical and masonry," said Ruthann Padgett, vice president of operations. "There are just so few tradespeople anymore that anyone with skill who wants to do a startup in this realm can be successful."

Aviara Accelerators, Covington

Founded in 2010, Aviara Accelerators is based in Covington and provides business basics and resources to female entrepreneurs statewide.

"Our women have received over \$6 million in follow-on funding and have generated over \$68 million in sales revenue upon completion of our program," said Tori Schoettner, program manager.

"We have definitely seen an increase in personal services such as concierges, coaching, etc.," Schoettner said.

Aviara has three program tracks: Explore, Launch and Grow. Continued support for alumni is part of Aviara's mission.

WKU Small Business Accelerator, Bowling Green

The WKU Center for Research and Development, two miles south of Western Kentucky University's campus, houses the WKU Small Business Accelerator and the central region office of KIN. One of the first program participants when the accelerator started in 2005 was John Higgins, owner of Bluegrass Supply Chain Services. Now a \$46 million company, the multistate logistics company is still headquartered in Bowling Green.

The WKU Student Business Accelerator started in 2012. Among those taking advantage of the opportunity is Robert Bowden, a freshman from Atlanta majoring in entrepreneurship.



Artists who are part of Berea's art accelerator program share studio space and a retail gallery at Gallery 123.

He's currently running his own automotive off-road parts company, Spartan 4x4, out of the accelerator.

"By being engaged in our program, they're very much in tune with the entrepreneurs in the region," Director Jeff Hook said of the accelerator students. "They can create their company, their own job, and they have a network of support services. There's a good chance when they graduate they'll stay in Kentucky. It's a retention strategy."

Art Accelerator Program, Berea

Funded by the Berea Tourist and Convention Commission, the Art Accelerator Program is open to Berea College students and local residents who are artists wanting to learn entrepreneurial skills. Up to five artists are chosen for fellowships each year.

They receive a monthly stipend, business training from the Mountain Association for Community Economic Development and the Berea College AIR Institute, and a shared studio space and retail gallery.

Over the past three years, the accelerator has trained 14 artists. In June 2017, program graduate Tim Wade began running his woodworking gallery out of the Cabin of Old Town, a renovated cabin built in 1813. He leases the small building from the city.

"The program is a step in preserving the arts and crafts culture that has made Berea a destination for thousands of visitors each year," said Kerri Lee Hensley, executive director of the Berea Tourist and Convention Commission.

Accelerating Appalachia, Lexington

Founding director Sara Day Evans started the nonprofit Accelerating Appalachia program in Asheville, N.C., in 2013. She is based in Lexington now, with partners running the Asheville office. The regional accelerator focuses on sustainable nature-



Madisonville's Innovation Station is geared toward small-business incubator clients who are still working through the thought process and building their business from the ground up.

based businesses that provide food, clothing, shelter and wellness. Program participants are in a growth stage.

"We seek to build better supply chains for them," Evans said. "Most of these businesses have a regional reach in terms of getting them on the shelves."

The 12-week program connects a dozen business owners with mentors, investors and customers.

Awesome Inc., Lexington

Awesome Inc. in Lexington is known as a co-working space and entrepreneurial events venue. Founded in 2009, the company has since added a hybrid incubator-accelerator program known as the Awesome Fellowship.

Awesome Fellowship provides eight business owners per year with legal and accounting services, designer and programming talent, and access to a mentor network of 80 professionals. Funded



Since 2014, Awesome Inc. has helped 32 startups that have cumulatively raised \$15 million and created over 150 jobs.

by investors and grants, the program is free to participants.

"For an 'angel' investor in Kentucky who wants to invest some of their money into the highest potential startups coming out of the state but they don't necessarily have time to do due diligence, our program can serve as meeting all those things," said Brian Raney, Awesome Inc. co-founder and CEO.

Rebecca Wheeling, CEO and co-founder of Schedule It, graduated from Awesome Inc.'s one-year Awesome Fellowship program in the fall of 2016. Based in Elizabethtown, Schedule It is a business that increases claim-adjuster productivity by allowing adjusters to see more claims and close them faster.

During the fellowship, Wheeling had access to monthly resources from an attorney, a CPA, business consultant, graphic artist and videographer.

"The ability to network with other startup companies further along than me is invaluable," Wheeling said. "Schedule It would not be here today without the numerous connections and resources provided in Kentucky."

Louisville's Sweet Ladies of the Morning

It doesn't take much to get people to try a new doughnut, but getting them to come back in droves requires another level of skill – one that Louisville's first female-owned and operated doughnut food truck and storefront, Hi-Five Doughnuts, has mastered. It's even landed them on national television.

With a store located at 1011 E. Main St. in Louisville's popular Butchertown neighborhood, Hi-Five Doughnuts was founded by owners Annie Harlow and Leslie Wilson. They refer to themselves as The Ladies of the Morning. Their sweet and savory journey began in 2013 with a simple tent where they began slinging doughnuts. The Travel Channel-featured dream initially began 10 years ago.

"It was 2008, I believe, and I was visiting my friend in Washington, D.C., who had recently had a baby," Harlow said. "While watching the little one, the TV was playing a show called 'Donut Planet.' They were traveling around the United States visiting doughnut shops. I called my husband and told him that Louisville needed an eccentric doughnut shop and that we should open one. He laughed at me and told me to have a great visit."

Fast forward to November 2012. Harlow was miserable at her job and wanting to try her luck with her sugary passion. It was then that her husband encouraged her to quit and go for it, and she called Wilson, who had recently relocated to Louisville from Los Angeles.

"She believed in the dream, the name Hi-Five Doughnuts, and she was on board," Harlow said. "During this time, I started working at a restaurant, Bourbons Bistro, as their event planner and manager, and that is where we were able to test recipes and start our business. Our first event was April 2013 under a tent. We made the doughnuts at Bourbons Bistro that morning and sold them at The Flea Off Market. People really responded to our product."

For the next two years, the duo worked under their tent before eventually buying their truck, which they named "Shelby," then put in another two years on the streets before opening the storefront in January 2017. Shelby still dispenses their doughy delights at festivals and parties. Hi-Five now has six employees, Harlow said, and hopes to open a second location and franchise.

The success has been a dream come true, and the pair credits a lot of it to savvy social-media use.

"Leslie handles all the social media, bless her heart," Harlow said. "Social media is an integral part of business. We have not paid for any advertising. The use of Facebook, Twitter and Instagram has allowed us to grow our audience exponentially. We use it to engage with our customers, feature our specials, showcase our humor. When the two of us work the truck, we ask every person if they follow us. If they don't, we ask for their phones and do it for them! We ask people to tag us all the time."

And for their staff, "image" is key. Harlow said they encourage their staff to make every doughnut Instagram worthy, and "everyone now takes pictures of their food."

Cooking up about 2,000 doughnuts per week – including specialties like the Kentucky Fried Buttermilk Chicken Doughnut, the Bourbon Caramel with Bacon, and the Sugah Doughnut – while keeping up with the beautification of the products is no small feat.

But the hard work is paying off. The shop has almost 21,000 Instagram followers, and the "Ladies of the Morning" earned recognition by *Southern Living* magazine as one of the top food trucks in the South. In February *USA Today* newspaper gave the shop a shoutout in its "first-timer's guide" to Louisville.

Visit hifivedoughnuts.com for more sweet temptation. —Abby Laub



Keep It Down in This New Night Club!

Q P, short for Quiet Please, is the latest in Lexington's ever-growing nightlife scene and comes from Seth Bennett, owner of the decades-old Two Keys Tavern on Limestone near the University of Kentucky as well as the Stagger Inn on Main Street in downtown Lexington. QP sits in the same building as Stagger Inn but bills itself as a "sexy, modern speakeasy located in the heart of downtown Lexington." According to its Instagram page, "you will find this sophisticated yet boisterous cocktail lounge inside of the old Roxy theater on Main Street." The shiny, beautifully embellished space is marked on the street level by vintage "ROXY" signs and is located in the Court Square Building at the corner of Cheapside Park. Check its instagram @qp Lexington.



Cyberthreats: A Big Risk for Small Businesses

Dangers rise as operations go digital,
but experts offer tips to stay safe

BY DEBRA GIBSON ISAACS

CHRIS Keller has a message for small businesses when it comes to cyberthreats: If you think you are too small to be targeted, that your business has little of value to hackers, think again. “Cyberthreats are not a matter of if,” he said. “They are a matter of when.”

Keller is co-founder of Prospect-based Advanced Global Communications (AGC), which provides a range of IT and communication solutions, including security and investigations.

“Enterprise companies have hundreds of folks working on this,” Keller said of cybersecurity, “but small and medium-size businesses are just seeing the attacks on these big companies. They don’t realize that there are ‘bots’

out there looking for IP addresses. These bots don’t care what is on the other end.”

While data breaches at large corporations affecting millions of clients get the headlines, reports from an array of organizations indicate small targets are at least as likely to be hit. Nearly half the data breaches Verizon recorded in 2012 took place in companies with fewer than 1,000 employees, according to CNN. A report by Symantec, the cybersecurity software and services provider, shows 31 percent of all attacks in 2012 happened to businesses with fewer than 250 employees.



*Chris Keller,
Co-Founder,
Advanced
Global
Communica-
tions*

Global ransomware damages were estimated to exceed \$5 billion in 2017, up by 15 times from \$325 million just two years earlier, according to CSOnline.com, a provider of IT news and research on security and risk. Cybersecurity Ventures expects ransomware damages alone will rise to \$11.5 billion in 2019, when CSO reports a business will fall victim to a ransomware attack every 14 seconds.

“As more small businesses utilize online solutions to serve customers, manage business operations and market themselves, their risk exposure has grown,” said Cecelia Taylor, spokesperson for the Small Business Administration. “Websites, financial transactions, critical databases, client records and brand reputation can be among the biggest vulnerabilities.”

More online activity means more targets.

“Small businesses must be aware of breaches/risks associated with their large company partners and suppliers,” Taylor said. “Their banking relationship, customer relationship management, web-hosting services, etc. – often supported by large firms – add another layer of vulnerability.”

The SBA said a security breach can impact a small business in numerous ways, from brand embarrassments if someone were to post on your website or social-media outlets to more financially costly matters if a hacker accesses banking accounts, personal data, supplier and customer records. Restoring files, checking records and securing systems can cost a small-business owner, on average, \$20,000 in the short term, Taylor said.

Back in Prospect, Keller spreads his messages about small businesses and cybersecurity with an evangelical zeal. Organizations, particularly smaller ones, must evolve to respond to the eventuality of cyber incidents that are being unleashed at unprecedented rates.

Awareness is the first step to being vigilant, according to Keller.

“Everyone from the executive staff down should be looking at cyberattacks as a threat to their business and their livelihood,” he said. “Anyone in the office can open the wrong attachment and put the company in jeopardy. Everyone has to be engaged.”

Larger companies separate the CEO job from that of the chief information security officer, the thinking being that there are too many issues today for one person to handle both tasks.

Small businesses, however, rarely have the luxury of even one person totally dedicated to cybersecurity, said Keller, who advises that consideration of

cyberawareness should start with the hiring process.

"Whenever possible, hire folks with an aptitude for technology. Even the biggest companies don't have enough people with the perfect skill set," he said. "Look for people who can learn and aren't afraid of technology."

Additionally, ongoing training is also a must.

"You can't afford to let everyone go who doesn't have this knowledge," he said. "This is no different than preparing for the eventual major storm or preparing for a rainy day. Everyone needs to understand the threat and how to mitigate it; otherwise, you are locking the front door and leaving the windows open."

It begins with common sense and best practices, Keller advises.

"Make your firewall stronger and higher," he said. "You don't want to be an easy target."

Follow best practices methodically.

"If you don't have a relationship with a person, do not open an email attachment" from them, Keller said. "I get six to eight emails a week that I don't know the origin; I don't open them."

And look for certification when hiring outside firms to help. Numerous bodies have developed certifications.

"The SANDS Institute provides certifications for a lot of industry security; UCI for the credit-card industry," he said. "Financial groups have their own regulatory groups, as do the medical groups."

"The federal government mandates security for many industries but not for all. Reach out to your professional associations and see if they have tackled this issue," Keller said. "Search out what is best, and then find a third party such as

Top 10 Cybersecurity Tips

The Small Business Administration provides these tips to protect your small business:

1. Protect against viruses, spyware and other malicious code. Make sure each of your business's computers are equipped with antivirus software and antispyware and update regularly. Such software is readily available online from a variety of vendors. All software vendors regularly provide patches and updates to their products to correct security problems and improve functionality. Configure all software to install updates automatically.

2. Secure your networks. Safeguard your internet connection by using a firewall and encrypting information. If you have a Wi-Fi network, make sure it is secure and hidden. To hide your Wi-Fi network, set up your wireless access point or router so it does not broadcast the network name, known as the Service Set Identifier (SSID). Password protect access to the router.

3. Establish security practices and policies to protect sensitive information. Establish policies on how employees should handle and protect personally identifiable information and other sensitive data. Clearly outline the consequences of violating your business's cybersecurity policies.

4. Educate employees about cyberthreats and hold them accountable. Educate your employees about online threats and how to protect your business's data, including safe use of social networking sites. Depending on the nature of your business, employees might be introducing competitors to sensitive details about your firm's internal business. Employees should be informed about how to post online in a way that does not reveal any trade secrets to the public or competing businesses. Hold employees accountable to the business's internet security policies and procedures.

5. Require employees to use strong passwords and to change them often. Consider implementing multifactor authentication that requires additional information beyond a password to gain entry. Check with your vendors that handle sensitive data, especially financial institutions, to see if they offer multifactor authentication for your account.

6. Employ best practices on payment cards. Work with your banks or card processors to ensure the most trusted and validated tools and anti-fraud services are being used. You may also have additional security obligations related to agreements with your bank or processor. Isolate payment systems from other, less secure programs and do not use the same computer to process payments and surf the internet.

7. Make backup copies of important business data and information. Regularly back up the data on all computers. Critical data includes word-processing documents, electronic spreadsheets, databases, financial files, human-resources files, and accounts receivable/payable files. Back up data automatically if possible, or at least weekly, and store the copies either offsite or on the cloud.

8. Control physical access to computers and network components. Prevent access or use of business computers by unauthorized individuals. Laptops can be particularly easy targets for theft or can be lost, so lock them up when unattended. Make sure a separate user account is created for each employee and require strong passwords. Give administrative privileges only to trusted IT staff and key personnel.

9. Create a mobile-device action plan. Mobile devices can create significant security and management challenges, especially if they hold confidential information or can access the corporate network. Require users to password protect their devices, encrypt their data, and install security apps to prevent criminals from stealing information while the phone is on public networks. Be sure to set reporting procedures for lost or stolen equipment.

10. Protect all pages on your public-facing websites, not just the checkout and sign-up pages.



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Outside help is critical for several reasons, according to Keller, whose company provides security among other computer-related services.

“An outside firm can monitor all your traffic and determine the risk,” he said. “If you try to do it internally, there is a tendency to not want to find problems. Employees can be careful not to expose faults.”

In addition to hiring an outside expert to assess risk and shore up your cyberdefenses, Keller recommends five security tips applicable to enterprises of all sizes and budgets.

Back up your data. Back up your entire data from servers to workstations, locally and to the cloud. If ransomware or malware hits, you will be prepared.

‘Walls inside of walls.’ Establishing virtual walls inside of walls can protect servers, LANs, virtual servers. Segregate critical data to prevent hackers from leaping into another vertical once they’ve broken into your network.

Get a cyber ‘X-ray.’ A lack of symptoms doesn’t mean an X-ray won’t reveal a health concern. Networks are no different. Advanced Global Communications and others use technology to examine traffic across all ports in the critical space between the internet and your local network.

Cameras, TVs can be attacked. Anything that carries an internet address should be secured, Keller said. Hackers can exploit surveillance cameras, boardroom TVs and other devices to spy or exploit your network. In late 2016, this method created a major

denial-of-service (DoS) attack that affected millions of people.

‘Human engineering’ hacks. If a help-desk impersonator is given your password, that person has the “keys to your kingdom.” Many exploits occur inside an organization, and AGC believes this threat is the hardest to protect against. A perpetrator can physically sneak into a network closet, exploit a vulnerability and potentially own your network. When planning cyberdefenses, keep “human hacks” in mind. Conduct physical penetration tests to determine vulnerabilities. Include human attacks in your training and testing.

The SBA also has some suggestions:

- Make sure your current desktop and mobile applications software stays upgraded.

- Realize cybersecurity is now a standard business planning and operations issue – something to address through planning, education, staffing and ongoing maintenance. Inventory the data management and client records used in your business. Review processes for financial management, from sales to banking and inventory control. Assess which systems are used for each critical step of your business and which hold valuable information.

- Discuss cybersecurity with employees so they are aware, receive standard training and, as needed, attain industry certifications on IT security. Discuss cybersecurity with your vendors/suppliers and your banking institutions.

- Confirm that any major systems or suppliers you rely on have security protections in place or readily available.

- Examine vulnerabilities immediately and revisit when you change busi-

Free online resources

- Take the SBA’s free online Cybersecurity for Small Business e-course (sba.gov/tools/sba-learning-center/training/cybersecurity-small-businesses)
- Attend local cybersecurity workshops offered by NIST (csrc.nist.gov/groups/SMA/sbc/workshops.html).
- Visit the FBI’s Infragard site (infragard.org/) for useful tips and local resources.
- Stop in to a local SBA resource partner office to talk with business counselors and mentors (SCORE, Small Business Development Centers and Women’s Business Centers).

ness processes, online systems or staffing plans, and especially when your organization or a key business partner experiences a breach.

- Review online training materials that provide an overview of vulnerabilities. They help small businesses understand risks and consider which aspects of operations need immediate attention.

- Review if you have needless services integrated with primary databases or systems. They can open vulnerabilities.

- Sit down with your information technology staff or vendors to assess their understanding and planning.

- Make sure that all staff understand vulnerabilities and immediate practices needing attention (strong password, handling of records/data, checking encryption standards).

Verizon’s 2017 Data Breach Investigations Report gives a fuller picture of cybercrimes. ■

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

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Kentucky Crafted artist Melissa Oesch, owner of Lexington-based ReImagined By Luna, leads a discussion on arts entrepreneurship at Arts Inc., a Lexington incubator for artists seeking to start a small business.

Kick-Starting an Arts Business

Traditional route of business financing is often the road less traveled

BY CHRIS CATHERS

THERE is no magic wand that transforms an artist who is a hobbyist into a small-business owner in the growing creative economy. There are, however, resources available to artists who want to make that leap into entrepreneurship.

At the Mountain Association for Community Economic Development (MACED), headquartered in the arts community of Berea, helping small-business owners – including artists – get their entrepreneurial effort off the ground is a mission.

MACED, which serves the 54-county Appalachian Regional Commission geographic area, has credibility in working with artists. The association partnered with Berea Tourism and the Berea city government to found the Gallery 123 Arts Accelerator program. That program provides gallery and studio space to a group of artists, selected each year, as well as business education and microloans (less than \$50,000) for materials and to get started as business owners within that gallery space.

MACED has also embraced a unique approach to crowdfunding to help artists generate capital, said Paul Wright, MACED's vice president of enterprise development.

Crowdfunding is a process used by entrepreneurs to raise small amounts of money from a large number of people.

This practice is typically done via the internet with crowdfunding sites like Kickstarter and Indiegogo.

"There are a lot of artists using crowdfunding. We've decided to come alongside that and rather than compete head-to-head with a crowdfunding site, we created the Crowdmatch Microloan Program."

If an artist engages in a successful crowdfunding campaign, MACED, through its Crowdmatch program, will match the amount that is raised, dollar for dollar, at 0-percent interest.

"Crowdfunding is good for the startup entrepreneur who has a following, which lends itself to creatives," Wright said. "Our program doesn't require collateral or a credit score to apply. We just look at the business owner's ability to leverage crowdsourcing as a strong indicator of the viability of the business."

That's an opinion shared by Vallorie Henderson, a management consultant with the Kentucky Small Business Development Center's Louisville branch.

"It's a hard fit to connect artists with traditional lenders," Henderson said. "I see a lot of success across the board with crowdfunding."

Echoing Wright, Henderson said crowdfunding is well suited to artists.

"It's individual people who are investing in the artist. They have an

interest," she said. Henderson cited Louisville's nationally renowned Forecastle Festival, a three-day music festival that began in 2002 thanks to a Kickstarter crowdfunding campaign.

"I like to call it community funding," Henderson said. "You are building a community with it. You are getting people involved in building something unique."

Artists who choose to go the traditional route of applying for a bank loan should be prepared with their information, said Mark Johnson, president of Lexington-based Arts Inc., an incubator for artists seeking to start their small businesses. Among its many services, Arts Inc. provides technical assistance to artists regarding price point, marketing strategy, and how to keep and maintain a business. That's the kind of information a bank is interested in knowing before making a loan decision.

"It comes down to whether an artist can help a bank understand how the arts business is going to make money," Johnson said. "Instead of getting the banker to think like the artist, though, I'd counsel my clients to think like the bank, to understand what their critical issues are going to be."

An example of translating the business of art into something tangible for a bank is knowing the cost of materials, studio space, and the all-important but sometimes elusive variable of how much an artist's time is worth.

"Sometimes being able to produce a pricing strategy as an artist is a challenge. We as artists don't think that way," Johnson added. "A banker wants to know the cost though."

Even if artists raise capital via crowdfunding or other private sources, there is still a place for the banking community in helping grow the creative economy. MACED President Peter Hille said his organization welcomes the input and participation of banking executives in advisory capacities.

"There are multiple opportunities for bankers to help," Hille said. "They bring valuable perspectives. We think the private sector has a critical role to play in creating the new economy." ■



Chris Cathers is interim executive director of the Kentucky Arts Council.



Louisville CVB photo



Kentucky Derby Festival photo

Above: The Thunder Over Louisville fireworks spectacular kicks off the annual Kentucky Derby Festival, which takes place over the two weeks preceding the Derby.

Right: Louisville's legendary Churchill Downs racetrack.

Doin' the Derby

Soaking up the Derby experience takes more than just a day

BY KATHERINE TANDY BROWN

SO you've planned ahead and scored Derby tickets. Nice job! If I hadn't attended "The Most Exciting Two Minutes in Sports" twice, I'd be envious. The first was in college...in the infield. I stood on a stack of beer cans on the rail for two hours to watch Kauai King cross the finish line first. The second was in 1982...in a box with a trainer and his son. Gato Del Sol made us some nice steak-dinner money.

These days, however, parking on the couch in front of the afternoon-long TV race coverage on the first Saturday in May works nicely for me. Late afternoon, just before "My Old Kentucky Home" begins, everyone with commonwealth roots or superior taste lifts a glass of single-barrel Kentucky bourbon (served neat, of course, with no water-it-down rocks) and when the Bluegrass State's anthem soothes, "Weep no more, my lady...", tears roll down our cheeks and Churchill Downs turns magical.

If you're lucky enough to be in Derby City, be sure to take advantage of at least some of the many events leading up to the big day.

You'll need to drag yourself out of bed early to discover what goes on in the race-track world before most folks have opened their eyes. The Tuesday through Thursday prior to the Derby, Churchill presents Dawn at the Downs, where you can scope Kentucky Oaks and Derby contenders working out as you enjoy yummy Kentucky vittles at a trackside buffet.

Be sure to stop in the Kentucky Derby Museum while you're there. Located on the track grounds, this treasure house of everything equine has reams of info on Derby horses, trainers, jockeys, owners and films of past races; hands-on exhibits, one of which puts you in the saddle to feel the jockey experience, and another, in a "winner's circle" photo op; and fancy Derby hats and shiny trophies galore. The film "The Greatest Race," shown in one of the world's only 360-degree, high-res theaters, is a touching treatise on the "Sport of Kings" that appeals to novice racegoers and diehard fans alike.

You have until May 1 to make a reservation for the museum's Biscuits and Bourbon event on Wednesday, May 2. Think

Kentucky Proud products, a Southern biscuit bar, live music and unlimited libations, including the state's native spirit, bourbon. You can even add a box seat to watch the ponies run that afternoon.

Back in 1956, the Kentucky Derby Festival (KDF) began with one event – the Pegasus Parade – that made its now-annual trek down Broadway on the Thursday prior to the Derby thanks to four volunteers and a budget of \$640. Now the five-time winner of the International Festivals and Events Association award for Best Overall Festival, the KDF has morphed into an amazing array of 70-plus events that take place over the two weeks prior to Derby Day.

With 4,000 volunteers, the festival these days generates nearly \$128 million each year for the local economy, while

Kentucky Derby Museum photo



The Kentucky Derby Museum showcases dozens of colorful Derby hats that have been worn over the years.

connected events help to raise almost \$300,000 for area charities. The festival is produced by Derby Festival Inc., a private nonprofit civic organization with a professional staff of 23 and a 75-person volunteer board.

Thunder Over Louisville literally gets the festival going with a bang. One of the country's largest annual fireworks spectacles, the event serves as the opening ceremony for the festival and the huge explosions of color can be seen along the Ohio River shoreline for miles. Think Washington D.C. on the Fourth of July. It's that big!

Led by the beloved giant inflatable Pegasus balloon named "Peggy Bank," the Pegasus Parade winds along a 1.7-mile route packed with onlookers cheering its larger-than-life floats, top-caliber high school bands, performance groups, step-in-time equestrian units, inflatables and celebrities. Through the years, the parade's grand marshalls have included John Wayne, Liberace, Col. Harland Sanders, Muhammad Ali, General Norman Schwarzkopf, Bill Monroe, Rosemary Clooney, and a number of Congressional Medal of Honor recipients.

If you simply can't wait, you can sneak a peek at the floats during the parade preview at the Kentucky International Convention Center the Tuesday night before the parade officially hits the streets.

Among all KDF's activities, there truly is something for every age and interest. Two-thirds of the festival events

Kentucky Derby Festival photo



are free, so families can find lots of kid-friendly, pocketbook-pleasing fun.

So what's your pleasure? Historic paddlewheelers go bow-to-bow in the Great Steamboat Race on the Ohio, while sports fans can shoot hoops, join 500 other teams in the country's largest outdoor volleyball tournament, or take a swing in the \$1 million hole-in-one golf shot. If no one grabs the big money, first prize is still \$5,000.

Music aficionados can groove at concerts nearly nonstop at numerous venues, including the 900,000-s.f. Great Lawn, while the Derby Queen is crowned at the formal Derby Fillies Ball. Whether your interest is gospel, country, rock, Latino, urban or classical, there's something for everyone.

There are hot air balloons; interactive military displays; a HappyTail Hour where pet owners and their pups mingle, listen to music and play doggie games; a "neigh-maste" all-level yoga class (really!); and even a KDF spelling bee. And, of course, food and drink for every palate, including WineFest, BeerFest and BourbonVille. Edibles range from barbecue,

The Great Balloon Glow has become one of the Derby Festival's most popular events, drawing more than 50,000 fans each year.

bratwurst and chicken-on-a-stick to funnel cakes, elephant ears and anything imaginable deep-fried.

If you'll be at the Derby itself, don't forget to bring your Kleenex to stanch that weeping, which you'll be doing along with 260,000-plus other attendees as the Thoroughbreds step onto the dirt to the strains of the state anthem for the post parade.

Whether or not you'll actually attend the Derby, sign up to receive the KDF newsletter at kdf.org (800-928-3378). You can also get the inside scoop on happenings at Churchill Downs, the big race and its history and tradition, what to know if you go or how to throw a home Derby party if you don't, betting basics, Derby fashions, and more by visiting kentuckyderby.com or calling (502) 636-4400. ■

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



Louisville CVB photo

What would the Derby be without a mint julep?

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‘Grow with Google’ Tour Comes to Kentucky

GOOGLE is hosting a free, one-day event at the Mellwood Art and Entertainment Center in Louisville on March 29 to help job seekers, small-business owners, budding developers, students, educators and entrepreneurs improve their digital skills.

The event will take place from 9 a.m. to 7 p.m., with Google staff leading hands-on workshops about online marketing tools for small businesses, job search strategies, email basics and search engine optimization.

The Grow with Google event will feature seven different workshops, one-on-one coaching sessions, and interactive demo stations. Attendees are welcome to drop in for a few sessions or stay all day. Following the Grow with Google event, Google will explore ongoing partnership opportunities with area organizations to help with job training and developing digital skills.

“Even though middle-skill jobs account for 58 percent of Kentucky’s labor market, only 48 percent of the state’s workers are trained to the middle-skill level,” said Tia Bethea, community engagement manager for Grow with Google. “Our goal is to arm job-seekers with the skills they need to land a job in the 21st-century economy.”

“Our innovative entrepreneurs, hardworking small-business owners, and our highly motivated students will all benefit from the exciting tools, demos, and trainings offered at this day-long event,” said Gov. Matt Bevin. “Leveraging the latest tech-



Google staff will be on hand at the March 29 event to answer questions and help attendees improve their digital skills.

nology of today will help create the success of tomorrow. This partnership with Google will be a tremendous asset to our state’s business and education leaders.”

To learn more about the free event and to register, visit g.co/GrowLouisville. Space is limited; advance registration is recommended.

How Saying ‘I’m Sorry’ and ‘Thank You’ Can Change Corporate Culture

COMPANIES that train their employees in what are commonly referred to as “soft skills” are finding those efforts pay off in productivity and retention.

People with soft skills are adept in areas such as interpersonal communication, leadership, problem solving and adaptability. But often still missing in the soft-skills department, some corpo-



rate analysts say, is the willingness to show an even softer side – specifically, saying “thank you” and “I’m sorry.”

“Simple as they sound, those phrases – which most of us were taught by our parents as good manners – are often difficult for many people in the corporate culture to say,” says Keith Martino, author of “Expect Leadership” and head of CMI,

a global consultancy that customizes leadership and sales development initiatives. “But there’s a great value and power to saying ‘I’m sorry’ and ‘thank you’ in the corporate world. The first time someone apologizes or says a genuine ‘thank you,’ the whole environment shifts.”

Martino has observed corporate cultures becoming healthier when workers and leaders learn more about each other and communicate better. As a result they work better together.

“So many people in today’s corporate culture have lived through not being valued in the workplace,” Martino says. “As we moved from the industrial age to technology, the thing that got left behind was the human element. People are starving for the human touch.”

Martino gives three reasons why saying “thank you” and “I’m sorry” carry power in the corporate culture:

- It rebuilds relationships. Leaders who can put themselves in the shoes of an employee whom they berated can build strong bridges throughout the company by apologizing and showing a more respectful approach next time. “People feel more valued and no longer threatened,” Martino says. “Every word you

speak is an act of leadership as you influence others. A ‘thank you’ to a deserving employee also forges a more trusting, respectful relationship. Being specific and genuine with the thank you heightens a person’s self-image, their view of the workplace, their boss and co-worker, and motivates them to keep up the good work.”

- It shows character. Humility shown in saying “I’m sorry” is essential to leadership because it authenticates a person’s humanity, Martino says. Saying “thank you” reflects an appreciation for others that is essential in building a successful team. “Competence is no substitute for character,” he adds. “When people see a co-worker or boss doesn’t thoughtlessly put themselves above them, bonds and productivity grow. Character is a key element that attracts people and builds the foundation of a company.”

- It energizes everyone. It’s easy to get wrapped up in daily business obstacles or an overloaded email box and skip saying “sorry” or “thank you.” “But when... everyone values everyone else, a spirit of cooperation flows like a river throughout the company, creating a consistently positive culture,” Martino says.

“The relationship qualities founded on mutual respect that were common 100 years ago are still essential today,” Martino says, “and without them organizations fail. Walls go up, people get alienated and can’t work together anymore.”

Applications Now Being Accepted for 2018 Venture Sharks Business Competition

VENTURE Connectors has announced that applications for its ninth annual Venture Sharks business competition are now being accepted. Early-stage companies and entrepreneurs are invited to compete for more than \$10,000 – roughly \$5,000 in cash and the rest in professional services – provided by the competition’s sponsors, Vogt Invention & Innovation Fund and Splash Analytics.



Venture Sharks
May 2nd, 2018 | Muhammad Ali Center

Applications are available at ventureconnectors.org/venturesharks and are due by midnight on March 30. The Venture Sharks committee will choose the top ideas to compete during the preliminary round of the competition, held April 9, where the field then will be narrowed to four finalists. The final round will be held on May 2 during the monthly Venture Connectors’ luncheon meeting. Both events will take place at the Muhammad Ali Center in downtown Louisville.

In both rounds of competition, presenters will be allowed a few minutes to describe their idea to the judges, who then will fire off questions to the presenters in the style of the popular television show, “Shark Tank.” One lucky survivor will receive more than \$10,000 in cash and prizes to help them take their idea to market. Final round judges will be announced by April 9 and will be comprised of notable business leaders, entrepreneurs and investors.

The winner will be selected based on the viability of their idea, the ability of the final award to positively impact the business, and the quality of their presentation.

The competition is open to businesses or entrepreneurs from any industry in Kentucky, Indiana, Ohio and Tennessee, but presentations for the preliminary and final rounds of competition must be made in person in Louisville. A dedicated LLC or corporation need not have been created, but the idea and business being pitched must not be a direct spinout of a larger parent company. There is no restriction on the age of the business, but it must have less than \$75,000 of lifetime revenue. The business also cannot have raised, or had invested in it, more than \$50,000 from any source at the time of application.

Additional information is available at the ventureconnectors.org website.

Columbia Gas Program Designed to Protect Bees and Butterflies

COLUMBIA Gas of Kentucky is rolling out a pollinator pilot program aimed at transforming sections of its utility rights of way (ROW) into special habitats for bees and butterflies.

The company is partnering with Lexington-Fayette Urban County Government and the Masterson Station Park board of directors, Kentucky American Water, Toyota Motor Manufacturing Kentucky Inc. and the University of Kentucky to convert some of its largest and most visible ROW by removing existing vegetation and planting a specialized seed mixture that will grow plants like milkweed, gray goldenrod, baby’s breath and white prairie clover that attract pollinators.



Columbia Gas is applying to have its newly transformed right-of-way sites certified as monarch waystations, meaning the sites meet criteria to be placed on a worldwide registry of butterfly habitats.

The site conversions are beginning this month, just in time for plants to bloom in early summer. Additional sites will be added

across Columbia Gas’ 30-county service area and will be marked with signs and flags.

The site conversions are expected to eventually lead to a reduced carbon footprint and less soil disturbance and erosion.

The project brings to Kentucky a national trend among utility companies to reduce the use of vegetation control measures, including controlled herbicides, which have a tendency to impact or eliminate the habitats for insects critical to the ecosystem. Like other utility companies, Columbia Gas is responsible for keeping right-of-way corridors free of debris and other safety hazards. Columbia Gas currently maintains ROW over about 2,600 miles of natural gas pipeline.

Kentucky State Apiarist Tammy Horn Potter with the Kentucky Department of Agriculture said the collaboration of Columbia Gas with other businesses and utilities represents the type of long-term commitment that needs to happen to improve pollinator health. Columbia Gas has partnered with Horn and KDA to host the Kentucky Pollinators Program conference in June, where they will make a presentation about the pollinator program.



Bees are responsible for pollinating hundreds of different types of agricultural plants.

Mark Cornelison photo



The 2018 DanceBlue event raised more than \$1.8 million for the Kentucky Children’s Hospital’s hematology/oncology clinic.

Dancing to Beat Cancer

MORE than 900 University of Kentucky students were part of the 2018 DanceBlue Marathon held on Feb. 17 to raise money for the Kentucky Children’s Hospital hematology/oncology clinic.

DanceBlue is UK’s largest student-run philanthropy – a yearlong fundraising effort involving thousands of UK students that culminates in a 24-hour no-sitting, no-sleeping dance marathon. This year’s marathon raised \$1,804,068 – all of which goes to the Golden Matrix Fund and cancer research.

Since the organization’s launch in 2006, DanceBlue has raised more than \$13,420,898, providing financial and emotional support for children and families living with childhood cancer. The DanceBlue Kentucky Children’s Hospital Hematology/Oncology Clinic opened its brand new facility in 2017 after a complete renovation funded solely from DanceBlue.

KENTUCKY PEOPLE

HIGHLAND HEIGHTS: NKU RECEIVES GRANT TO FUND ADDITION OF MORE JAPANESE LANGUAGE COURSES



Northern Kentucky University has received a grant from the Japanese Foundation of Los Angeles to develop more coursework that could be used as a foundation for a future Japanese language major. Pictured here at the ceremonial check presentation are (back row, left to right) François LeRoy, executive director of NKU's Office of International Education; Diana McGill, dean of the NKU College of Arts and Sciences; Caryn Connelly, chairperson of NKU's World Languages and Literatures Department; Junko Agnew, adjunct instructor of Japanese and JFLA grant recipient; Tye Ebel, program coordinator for the JET/Japan Exchange and Teaching overseen by the Consulate-General of Japan in Nashville; and Yoshito Saeki, principal of the Japanese Language School of Greater Cincinnati. Pictured on the front row (left to right) are NKU students Stevie Keeton, Elisa Moore, Lacey Gerdes and Jamie Johnston.

LOUISVILLE: EVAN WILLIAMS BOURBON EXPERIENCE CELEBRATES FILLING ITS 1,000TH BARREL OF BOURBON



Louisville officials joined Heaven Hill executives on Feb. 1 to celebrate the Evan Williams Bourbon Experience filling its 1,000th barrel of bourbon. The Evan Williams Bourbon Experience is a multimillion dollar artisanal distillery in Louisville and the first official stop on the popular Kentucky Bourbon Trail. Pictured here at the celebration are (left to right) Louisville Mayor Greg Fischer, Heaven Hill President Max L. Shapira, Evan Williams Bourbon Experience Artisanal Distiller Jodie Filiatreau, and Heaven Hill Master Distiller Denny Potter.

FRANKFORT: KY STATE'S SIMON HONORED FOR OUTSTANDING SERVICE



Marion Simon (right), a professor in Kentucky State University's College of Agriculture, Food Science & Sustainable Systems, was recently honored at the Professional Agricultural Workers Conference at Tuskegee University in Tuskegee, Ala. Simon was one of five recipients awarded the Outstanding Service Award, recognizing continued service to Kentucky's limited-resource farmers and families and continued support of PAWC. Simon was inducted into the Tuskegee University and PAWC's George Washington Carver Public Service Hall of Fame in 2006. Pictured here with Simon is Walter Hill, dean of the Tuskegee University's College of Agriculture, Environment and Nutrition Sciences.

LEXINGTON: POYNTER IS KY'S 1ST BOARD-CERTIFIED COMMUNITY PARAMEDIC



Michael Poynter, executive director of the Kentucky Board of Emergency Medical Services, was recently named as the first Kentucky board-certified community paramedic by the International Board of Specialty Certification. Community paramedics help provide better care for the community through non-emergency interaction with patients in need of assistance. Their aid helps reduce unnecessary trips to the emergency department and readmissions to the hospital, thereby reducing overall health-care costs. Poynter is only the sixteenth individual in the nation to earn the designation.



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