

Minutes
Missouri Development Finance Board
Hampton Inn – Magnolia Room
4800 Country Club Drive
Jefferson City, Missouri

October 26, 2004

The Missouri Development Finance Board met in regular session on Tuesday, October 26, 2004 beginning at 10:00 a.m. The meeting was held at the Hampton Inn, Magnolia Room, 4800 Country Club Drive, Jefferson City, Missouri.

The following members and officers of the Board were present or absent at the meeting, as follows:

Elizabeth Solberg	Chair & Member	Present
John D. Starr	Vice Chairman & Member	Absent
Bill M. Burch	Treasurer & Member	Present
Paul S. Lindsey	Member	Present
James O'Mara	Member	Present
Larry D. Neff	Secretary & Member	Present
Richard J. Wilson	Member	Present
Nelson C. Grumney, Jr.	Member	Present*
James D. Hill	Member	Present
Joe Maxwell	Lieutenant Governor & Member	Present
Kelvin L. Simmons	Dir., Dept. of Econ. Dev. & Member	Present
Peter Hofherr	Dir., Dept. of Agriculture & Member	Present
Robert V. Miserez	Executive Director & Assistant Secretary	Present

*Member participating by telephone conference call.

Chair Solberg declared that a quorum was present and called the meeting to order. In addition to the above, those in attendance included: David Queen, Board counsel; Kathleen Barney, Pamela Hill, Tonya Loucks, Krystal Sabartinelli and Cheryl Morgan, Board staff; Fred Ernst, Copeland Manufacturing; Jim Mann, Forest Park, St. Louis; Dennis Mitchell, Piper Jaffrey and James Harlow, City of Independence; Rita Kelly, H & R Block, Kansas City; Ron Kanterman, KV Pharmaceutical; Spencer Thomson, Blackwell Sanders Peper Martin; Mike Hartman, Commerce Bank; Mayor Kay Barnes, Randall Landes, Gary Sage, Missy Wilson,

Andi Udris, Mike Musgrave, and Mark Bryant, representing the KC Live project; Marit Clark, Grand Center; Kris Heisinger, Mike Downing, David Seamon, Judy Gehrke, Julia Grus, Jim Foley, Sallie Hemenway and Jim Grebing, DED staff.

I. Secretary's Report

Secretary Neff

Secretary Neff presented for approval the minutes from the September 21, 2004 meeting. Copies of the minutes, included in the Board packets, were provided to the members for their review. There being no questions, corrections or additions, Secretary Neff made a motion to approve the minutes as presented. Member Lindsey seconded the motion. The following vote was recorded:

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

Secretary Neff reported that the Personnel Committee has selected Blue Cross/Blue Shield as the best available medical coverage for Staff. Secretary Neff made the motion to accept Blue Cross/Blue Shield as the health insurance provided for 2005. Member O'Mara seconded. The following vote was recorded:

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

II. Treasurer's Report

Treasurer Burch

Treasurer Burch presented for approval the treasurer's report as of and for the month ending September 30, 2004. There being no questions, corrections or additions, Treasurer Burch made a motion to approve the treasurer's report as submitted. Member Neff seconded the motion. The following vote was recorded:

Member O'Mara agreed to amend motion to include revision to #6. Director Simmons said certain informational gaps remain between the consulting firm on the format and detail of project cost information they have requested in order to complete their analysis.

Lieutenant Governor Maxwell said that DED has established conditions that have to be met but he questions the intent of the Board's motion to approve. Staff and Mr. Queen stated that with or without conditions, MDFB's motion is to accept the Department recommendation and approve the project provided the accepted conditions set forth in Member Simmons letter are adhered to. And, that the Director of DED could deny further processing if these conditions are not met.

Mr. Webster from Oppenheimer reported that his firm performed the financial review of Cordish and concluded that Cordish has the financial capacity to complete the project and a letter to this effect has been made a part of the application.

MWH Consulting Engineer reports that all bids for the project have been let to date. The bids have come in lower than expected, however, they are consistent with current market conditions.

Item #2 on page 5 regarding the specific dollar amount of state tax revenues eligible for transfer as it pertains to "displacement" was also discussed.

At this point, the KC delegation and DED requested a short break so they could discuss wording of item #2 and item #6 of the recommendation.

B. H & R Block Services, Inc.
BUILD Application
Preliminary Resolution

Robert V. Miserez

Mr. Miserez began by reporting that H & R Block Services, Inc. submitted an application for the issuance of \$8,260,000 in BUILD Missouri revenue bonds. Once completed, H & R Block Services, Inc. will hire an additional 364 permanent new employees with an average salary of \$70,000 per annum. Mr. Miserez concluded by reporting that the Department has reviewed and is recommending approval of the application, that the application is complete and eligible, and adoption of the preliminary resolution is recommended.

Member Maxwell made a motion to adopt the following preliminary resolution:

**RESOLUTION OF THE MISSOURI DEVELOPMENT FINANCE BOARD
PRELIMINARILY APPROVING A PROJECT FOR H&R BLOCK
SERVICES, INC., AND DETERMINING THE INTENT OF THE BOARD TO
ISSUE ITS BUILD MISSOURI REVENUE BONDS IN A PRINCIPAL
AMOUNT OF APPROXIMATELY \$8,260,000 TO FINANCE A PORTION OF
THE COSTS OF A PROJECT.**

Member Wilson seconded the motion. The following roll call vote was recorded:

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Abstention: Solberg

Secretary Neff declared the motion passed.

Chair Solberg returned to the room and Secretary Neff returned the meeting to Chair Solberg.

- C. Centocor Biologics, LLC
BUILD Application
Final Authorizing Resolution

Robert V. Miserez

Mr. Miserez began by saying the Board approved adoption of a preliminary resolution denoting its intent to issue the above referenced bonds at its April 2004 regularly scheduled meeting. Mr. Miserez continued reporting that all financing terms remain as originally presented at the April meeting. Mr. Miserez further stated that counsel for the company and the Board have completed the financing documents and are ready to request the MDFB adopt the Final Authorizing Resolution approving the issuance of these bonds.

Member O'Mara made a motion to adopt the following final authorizing resolution:

RESOLUTION AUTHORIZING THE MISSOURI DEVELOPMENT FINANCE BOARD TO ISSUE ITS BUILD MISSOURI REVENUE BONDS (CENTOCOR BIOLOGICS, LLC PROJECT), SERIES 2004, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,550,600 FOR THE PURPOSE OF PROVIDING FUNDS TO MAKE A LOAN TO FINANCE A PORTION OF THE COSTS OF AN ECONOMIC DEVELOPMENT PROJECT FOR THE BENEFIT OF CENTOCOR BIOLOGICS, LLC; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS.

Member Hill seconded the motion.

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

- D. City of Kansas City; Harvesters Tax Credit for Contribution Application Robert V. Miserez

Mr. Miserez reported that the City of Kansas City requested that this project be removed from the agenda and moved to the November meeting for consideration.

Chair Solberg removed this action item from the agenda.

- E. City of Independence Public Infrastructure Bond Application City Aquatic Center Preliminary Resolution of Intent Robert V. Miserez

Mr. Miserez began by reporting that the City of Independence is requesting issuance of \$7,200,000 in infrastructure facilities revenue bonds. The proceeds will be used to fund construction of a family aquatics center and two water playgrounds. Mr. Harlow, City Finance Director of Independence gave a presentation on the proposed City Aquatic Center.

Member Neff made a motion to adopt the following Preliminary Resolution of Intent:

RESOLUTION OF THE MISSOURI DEVELOPMENT FINANCE BOARD APPROVING A PROJECT FOR THE CITY OF INDEPENDENCE, MISSOURI, AND DETERMINING THE OFFICIAL INTENT OF THE BOARD TO ISSUE ITS INFRASTRUCTURE FACILITIES REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF APPROXIMATELY \$7,200,000 TO FINANCE THE COSTS OF SUCH PROJECT.

Member Wilson seconded the motion.

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

Chair Solberg recused herself and turned the meeting back to Member Neff to chair.

KC Live! discussion resumed. Director Simmons reported on the agreement the Department and City reached during their just concluded sidebar meeting and read to the Board the modified language to Items 2 and 6. Secretary Neff asked Member's O'Mara and Wilson if these modifications were acceptable and their motion and second was still in place and upon receiving their acceptance called for the vote. Results of the vote were as follows:

Aye: Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr And Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Abstention: Solberg

Secretary Neff declared the motion passed.

Chair Solberg returned to the room

Secretary Neff returned the meeting to Chair Solberg.

- F. Duke Manufacturing Co., & Duke Sedalia, L.L.C. Robert V. Miserez
Private Activity Bond
Preliminary Resolution

Mr. Miserez began by reporting that Duke Manufacturing submitted an application for the issuance of \$1,000,000 tax-exempt, and \$9,000,000 taxable bonds, to fund the purchase of a 500,000 square foot building, upgrades and improvements to the

building, equipment purchases, and refund the remaining balance of MDFB Series 1999 bonds. Mr. Miserez further reported that although this latest expansion will not directly and immediately increase the number of jobs, it would allow Duke to remain competitive in its industry and provide for future growth. Mr. Miserez continued by saying that consolidating their operations into one plant will expand capacity and increase productivity all intended to lead to future jobs growth. Mr. Miserez reported that since the 1999 bond issue Duke's employment has grown from 190 jobs to 546 and 93 seasonal. Mr. Miserez concluded by recommending adoption of the Preliminary Resolution of Intent to issue these bonds.

Member Neff made a motion to adopt the following Preliminary Resolution:

**RESOLUTION OF THE MISSOURI DEVELOPMENT FINANCE BOARD
APPROVING A PROJECT AND A REFUNDING FOR DUKE
MANUFACTURING COMPANY, A MISSOURI CORPORATION, AND
DUKE SEDALIA, L.L.C., A MISSOURI LIMITED LIABILITY COMPANY,
AND DETERMINING THE OFFICIAL INTENT OF THE BOARD TO ISSUE
ITS REVENUE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED
\$10,000,000 TO FINANCE THE COSTS OF SUCH PROJECT AND A
REFUNDING.**

Member Burch seconded the motion.

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons,
Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

G. Copeland Manufacturing
BUILD Application
Preliminary Resolution

Robert V. Miserez

Mr. Miserez began by introducing Mr. Fred Ernst from Emerson Electric. Mr. Ernst gave a PowerPoint presentation on the history and current operations of Copeland Manufacturing, and more specifically on their Lebanon operation and expansion. Mr. Miserez thanked Mr. Ernst for his presentation.

Mr. Miserez further reported that Copeland Corporation submitted an application for the issuance of \$1,500,000 in BUILD Missouri revenue bonds. The proceeds will be used for plant expansion; installation of new machinery and equipment; utility and

road improvements. Mr. Miserez continued by saying the project will realize 375 new permanent full-time jobs with an \$11.00 average hourly wage.

Mr. Miserez concluded by recommending adoption of the Preliminary Resolution of Intent, approving the project and authorizing staff to finalize the financing documents.

A motion was made by Member O'Mara to adopt the following resolution:

**RESOLUTION OF THE MISSOURI DEVELOPMENT FINANCE BOARD
PRELIMINARILY APPROVING A PROJECT FOR COPELAND
CORPORATION, AND DETERMINING THE INTENT OF THE BOARD TO
ISSUE ITS BUILD MISSOURI REVENUE BONDS IN A PRINCIPAL
AMOUNT OF APPROXIMATELY \$1,500,000 TO FINANCE A PORTION OF
THE COSTS OF A PROJECT.**

Member Neff seconded the motion.

Aye: Solberg, Burch, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Simmons.

Roll call vote: Grumney

Nay: None

Absent: Starr

Abstained: Lindsey

H. KV Pharmaceutical Company
BUILD Application
Preliminary Resolution

Robert V. Miserez

Mr. Miserez began by introducing Ron Kanterman, who gave a presentation on the history and current operations of KV Pharmaceutical Company. Mr. Miserez thanked Mr. Kanterman for his presentation.

Mr. Miserez reported that KV Pharmaceutical Company submitted an application for the issuance of \$1,036,000 in BUILD Missouri revenue bonds. The proceeds would help fund construction of new facilities, additions and improvements to existing facilities, and acquisition of new equipment. Mr. Miserez further stated that 319 new permanent jobs would result with a projected average annual wage of \$66,560.

Mr. Miserez continued by saying DED has reviewed and recommends Board approval of the application certifying that all eligibility conditions precedent to participating in a BUILD program have been met. Mr. Miserez concluded by recommending the

Board adopt the Resolution of Preliminary Intent to issue these bonds and authorize staff and counsel to prepare the financing documents.

Member O'Mara made a motion to adopt the following Resolution of Preliminary Intent:

**RESOLUTION OF THE MISSOURI DEVELOPMENT FINANCE BOARD
PRELIMINARILY APPROVING A PROJECT FOR KC PHARMACEUTICAL
COMPANY, AND DETERMINING THE INTENT OF THE BOARD TO ISSUE
ITS BUILD MISSOURI REVENUE BONDS IN A PRINCIPAL AMOUNT OF
APPROXIMATELY \$1,036,000 TO FINANCE A PORTION OF THE COSTS
OF A PROJECT.**

Member Hill seconded the motion.

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons,
Hofherr and Maxwell.

Roll call vote: Grumney (abstained)

Absent: Starr

Chair Solberg declared the motion passed.

IV. Department of Economic Development Report Director Simmons

Member Simmons began by reporting that Missouri's economic picture is kind of a mixed bag right now.

Earlier in the year Missouri was seeing strong job growth and the unemployment level had been below the national rate for more than two years. Director Simmons was optimistic that Missouri is moving out from under the lingering national recession. However, on a national level, he stated that over the past few months there are some clear signs that the national economy is not bouncing back and that is impacting Missouri. Missouri's unemployment rate is slightly higher than the national rate now.

Member Simmons continued by saying that several other national economic trends are not good. National job growth projections are falling way short. In fact 150,000 new jobs are needed each month just to keep up with population growth and the country is falling well below that. Member Simmons further stated that other issues complicating the economic condition are the high fuel prices, now reaching \$2.00 a gallon in parts of Missouri. Also, home heating oil prices are expected to be at record highs this winter. The State has no control over fuel costs in Missouri, yet the skyrocketing prices could hit the State's economy very hard in the months ahead.

Continuing, he stated there is still some good news. Including the fact that between August and September Missouri added 10,400 jobs on a seasonally adjusted basis, third best in the nation. Since January, Missouri has added 37,600 jobs, 13th best in the country, and the State's 1.40 percent job growth is higher than the nation's percentage job growth of 1.05 percent.

Between September 2003 and September 2004 Missouri's employment was up by 39,100 jobs, or 1.5 percent (unadjusted).

Mr. Simmons reported that manufacturing continues to be a bright spot. And that this important sector is continuing to stabilize. He stated the percentage of manufacturing job growth between September 2003 and September 2004 is 1.28 percent, ranking Missouri 11th in the nation and far, far above the national percentage of .003 percent.

Another reason he cited for optimism is that the State is seeing signs of a strong and vibrant business climate. And that a record number of new businesses were created in both 2002 and 2003, which he stated is building a strong foundation for Missouri job growth, once the national economy starts to pick up.

V. Department of Agriculture Report

Director Hofherr

Director Hofherr reported that harvest statewide is proceeding. Japan & US have reached an exporting agreement for beef. US is also working with Korea to expand beef exports. Director Hofherr continued by saying the State is working with the EPA & Biotech in Missouri to promote plant and life science investment in rural Missouri. He reported his Department has a \$60,000 matching grant and approval from EPA to study and develop initiatives to promote this effort. Director Hofherr asked the Board for \$40,000 in additional funding for this project to match with \$20,000 from his Department toward the EPA grant.

Director Hofherr concluded with saying that a program for Premis ID's on each farm is in place. It is not mandatory for farms, but could be in the future.

VI. Lieutenant Governor's Report

Lt. Governor Maxwell

Lt. Governor Maxwell began by saying Tourism continues to increase in Missouri and is now a \$13 billion business. Lt. Governor Maxwell further reported that the State is attracting new businesses and additional convention business as a result of its growth in Tourism. He concluded with saying the State invested \$17 million in tourism.

VII. Miscellaneous

A. Executive Directors Report

Robert V. Miserez

Mr. Miserez referred the members to various materials in the meeting booklet behind tab's 7 (Contribution Tax Credit Status report) and 9 (Miscellaneous information

related to Board projects and activities), as well as handouts provided at the meeting for discussion. Mr. Miserez continued by discussing the currently estimated usage of C.Y. 2004 credits by the respective projects, and new requests from some of these projects. Mr. Miserez reported that the following projects have submitted the respective requests: Kansas City's Starlight Theater is requesting \$400,000 in additional C.Y. 2004 credits to be applied toward the originally approved project; St. Louis' Forest Park is requesting \$2,000,000 in additional 2004 credits to match toward \$4,000,000 in additional City funding to apply toward new capital cost additions estimated at \$37.2 million. These are new capital costs above and beyond their original project costs submitted to the Board previously. The Kansas City Performing Arts Center has requested that the Board transfer the \$12.5 million in approved 2004 credits for use in 2006. Mr. Miserez also referred the members to information in the Board packet regarding pending requests from Union Station in Kansas City, and certain other projects in the packet and handouts. Mr. Miserez concluded by stating he was not making any recommendations at this time but wanted the Board to consider these requests in anticipation of recommendations being made at the November meeting.

B. Tax Credit Status Report FYI

This report is included for informational purposes only.

C. Summary Activity Report FYI

This report is included for informational purposes only.

Closed Session

Member Neff made a motion to move the meeting into closed session pursuant to 610.021 (1) of the Missouri Statutes for the purpose of discussing legal actions involving a public governmental body and any confidential or privileged communications between a public governmental body or its representatives and its attorneys.

Member O'Mara seconded the motion. The following vote was recorded:

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

Open Session

Member Neff made a motion to move the meeting back into open session. Member O'Mara seconded the motion. The following vote was recorded:

Aye: Solberg, Burch, Lindsey, Wilson, Neff, O'Mara, Hill, Simmons, Hofherr and Maxwell.

Roll call vote: Grumney

Nay: None

Absent: Starr

Chair Solberg declared the motion passed.

VIII. Adjournment

There being no further business to come before the Board, the meeting was adjourned.

Secretary Neff