



Cincinnati Fountain Square



# The CEO Resource

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## Fastest Growing Company in PLM Industry Selects Cincinnati for Worldwide Corporate Headquarters

The CEO Resource is a periodic hot sheet of resource information for our colleagues, Chief Executives and Senior Management in business and leadership.

Our focus is to help senior management and company owners accelerate their pathways, first to "success" and then to "making a difference"- a significant difference for their families, their stakeholders and their communities. The CEO Resource is a time sensitive tool directly responsive to this critical focus.

### KMKC Update

Effective January 1, 2004, the Business Consulting Solution Group of KMK Consulting Company will be realigned within the Business Representation and Transactions Practice Groups of our parent company, Keating, Muething & Klekamp law firm. This restructuring was done to leverage the skills of each entity and to provide the highest level of service for our clients, taking advantage of the \$40 billion in transactions led by this law firm group in the past several years. To learn more about the Business Representation and Transactions Practice Groups, please visit <http://www.kmklaw.com>.

KMK Consulting recently completed the procurement of economic development incentives from the City of Cincinnati and State of Ohio for its client, think3. The company relocated its worldwide corporate headquarters from Pleasanton, California in Silicon Valley to Cincinnati. Privately held, the company has 343 employees in offices in North America, Italy, Germany, France, Japan, and India. The new Cincinnati headquarters will have at least 45 high-wage employees within the first three years of existence.

think3 is a global provider of mechanical design and product data management software combined with expert consulting

services to help manufacturers improve their product development effectiveness. think3's unique business delivery model lowers customers' upfront risk and investment, removes barriers to adoption and accelerates time-to-market benefits. The company's more than 5,000 customers include leading companies in industrial machinery, industrial design and mold making such as Toshiba and adidas-Salomon AG.

think3 had a number of options for its corporate headquarters project including relocating to

Cincinnati or Chicago or remaining in Silicon Valley. Cincinnati and Chicago were considered because a Midwest location would put the company closer to its target customers, manufacturers with \$50-500 Million in revenue, as well as a sophisticated regional MCAD/PLM talent pool. Cost of living and access to transportation were also major factors in think3's location plans.

As the company narrowed its search to Cincinnati and Chicago, KMK Consulting met with representatives from the local and state jurisdictions to discuss possible economic development incentives. (cont. on p. 2)

## Congratulations to Trey Grayson, Chad Munitz, and Doug Moormann!

KMK Consulting would like to congratulate Trey Grayson on being elected Secretary of State for the Commonwealth of Kentucky. Trey was a Senior Consultant with KMKC and an attorney with Keating, Muething & Klekamp before deciding to run for elected office. Congratulations and good luck, Trey!

KMK Consulting would also like to welcome and congratulate two new arrivals to our Cincinnati community- Chad Munitz and Doug Moormann.

Chad was hired as the Director of the Economic Development Division within the City of Cincinnati City Manager's Office. The division was created by City Council on June 25 upon recommendation from the Mayor's Economic Development Task Force. Chad comes to us from Columbus, Ohio where he was most recently the Assistant Deputy Director for the Economic Development Division of the Ohio Department of Development. Welcome Chad!

Doug was hired as the Vice

President of Government Affairs with the Greater Cincinnati Chamber of Commerce. Doug also comes to us from Columbus, Ohio where he was most recently the Executive Assistant to Governor Bob Taft for Business and Industry. Welcome Doug!

KMK Consulting was honored to assist both the City of Cincinnati and the Greater Cincinnati Chamber of Commerce in the selection of these two outstanding professionals. ■



# Selling Your Business: “It ‘ain’t over ‘til it’s over”

By Paul Jacobs

I was at my daughter’s soccer practice the other day when I got a call from an attorney I was working with on a deal. The final draft of an asset purchase agreement was supposed to be signed off on that afternoon, so I assumed he was calling to confirm that the hard work was behind us. When his first words were “are you sitting down,” I knew it wasn’t going to be a good call, and I was right. In his mind, the deal had just cratered. I walked away from the soccer field wondering how we could fix this. We were on the client’s back porch until midnight that night, and finally got it done, but we were rudely reintroduced to the Yogi-ism that “it ain’t over ‘til it’s over.”

Every deal is unique and can be derailed on its own, but here are a couple of things to be aware of:

1. Environmental issues – Whenever real property is involved, this is an issue to get out in front of right away. Many buyers will insist upon Phase I and Phase II inspections. While Phase I is fairly manageable, Phase II’s can be expensive and time consuming. If you have time constraints, problems evolving out of a

## think3 (cont.)

After several discussions with officials, preliminary offers were made and KMKC assisted in conducting a cost-benefit analysis of the incentives offered. At that point, think3 determined, contingent upon approval from all of the necessary governmental entities, that the Cincinnati location would best fit the company’s needs.

According to Daniel P. Meyer, think3 vice president of worldwide marketing, the company’s new Cincinnati location enables faster and stronger connections with prospective customers and employees. “think3 has a proven track record of helping customers realize dramatic gains in productivity and competitiveness by providing the technology and expertise to power their product development process. The talents of our employees around the world are the foundation for our success. As we continue our rapid growth, our Cincinnati office puts us in close proximity

Phase II report can blow them. A good environmental lawyer and consultant are invaluable.

2. Key employees – If retaining key employees is a condition for closing, management of the seller had better talk to them frankly about the change. The timing of this issue is particularly challenging because of the need to maintain confidentiality within the organization prior to closing. Make sure the pay and benefits at the new position will be substantially the same or better. When the time is right, discuss the matter in a positive fashion, and listen to the employee. He or she will have a lot of questions, job security foremost amongst them. Don’t let poor communication make a challenging situation a deal breaker.

3. Assignments – This was the issue that nearly tripped us up the night of the soccer practice. The strict terms of the asset purchase agreement were at odds with the tradition of the industry. The “businesses” in the deal were comfortable going forward, but the lawyers were not, and in this case, the lawyers were able to bring the whole deal to a grinding halt.

The moral of the story is to err on the side of caution and interpret any necessary assignments strictly.

4. Business Surprises – You can’t stop running your business. In the heat of doing a deal, it’s very easy to lose focus of the business itself. If this results in poor financial performance or some other problem, a buyer might get nervous and start seeing problems where there were none before. Or worse yet, start looking for an out. During a recent engagement, a client’s financial performance got worse each month. While not due to distractions relating to the deal, the deteriorating financial performance will probably prevent a deal from being done this year.

As noted at the outset, every deal is unique and can fall apart for a number of reasons, but these are some items that are fairly common and that can be addressed or mitigated with some advance thought and preparation.

For more information on these and other sell-side issues, call us at (513) 639-3900. ■

Summary of Economic Development Incentive Package	
Ohio Job Creation Tax Credit	6 yrs, 75% for value of approx. \$1.1M
Ohio 412 Business Development Grant	\$250,000
Ohio Investment in Training Grant	\$45,000
Cincinnati Job Creation Tax Credit	6 yrs, 75% for value of approx. \$510,000

with the deep PLM talent pool in this region.”

location for our corporate headquarters.”

“think3’s products and services enable mid-size manufacturers, such as those located throughout the U.S. Midwest manufacturing belt, to operate and innovate on a level playing field with much larger, more global competitors,” said think3 chairman and CEO Joe Costello. “think3 represents one way in which manufacturers are successfully bridging the gap between “old” and “new” economies, and we’re looking forward to having an especially strong impact on this region’s ongoing technological and economic expansion given the new

Jim McGraw, President and CEO of KMK Consulting, said, “We are excited to have another worldwide corporate headquarters in Cincinnati—especially one the caliber of think3 which is the fastest growing PLM company in the nation. It has been a pleasure working with think3 in determining their headquarters location and leading the effort to acquire economic development incentives from the city and state.” ■



# Overview of Environmental Focused Economic Development Programs

By Jim Benedict

Imagine you are driving through the historical manufacturing district of your home city and you pass a facility that has not housed a functioning business for the last several years. The building is in shambles, most of the windows are broken, and there is graffiti and rust throughout. This parcel of property is a first rate eyesore. Even if someone wanted to redevelop the plot of land, the costs of cleaning it up and demolishing the building would probably be astronomical, not to mention the threat of liability for any environmental problems. However, it is in a prime location for any industrial, commercial, or residential development. As a developer, you know that location is the key to any successful development project.

In the last few years, the State of Ohio has introduced three programs - the Voluntary Action Program (VAP), the Clean Ohio Fund, and Tax Increment Financing (TIF) Districts - to take this abandoned real estate and countless others like it and turn them into vibrant parcels once again. These programs encourage redevelopment of brownfields by offering financing assistance as well as legal releases from the state for the new owner.

## Voluntary Action Program (VAP)

The VAP was created in September 1994 with the passage of Ohio Senate Bill 221 and was fully implemented in early 1997 under Ohio Revised Code Chapter 3746. Prior to 1994, cleanup standards for abandoned brownfields were unclear. Consequently, valuable land went undeveloped because the threat of liability and significant cleanup costs worried banks, developers and businesses.

- Provides businesses with way to investigate possible contamination, clean it up if necessary, and receive a promise from state that no further cleanup is required.
- Minimizes bureaucratic red tape and maximizes resources and expertise in private sector- anyone can undertake cleanup project without direct oversight from Ohio EPA as long as they follow the specific standards outlined in the program
- Private sector professionals (i.e. engineers, scientists) certified by OEPA; responsible for verifying that properties are cleaned to required

levels

- Cleanup standards from highest to lowest- residential, commercial, industrial
- Certified professional (CP) can prepare No Further Action (NFA) letter- describes environmental problems found, how they were found, and how they were cleaned
- If OEPA finds that all standards have been met, covenant not to sue issued by Director to protect property owner/future owners from being legally responsible to State for further investigation/cleanup (property must be used/maintained in same manner)
- Financial incentives offered by several Ohio agencies to promote brownfield revitalization:
  - ◊ ODOD Urban Redevelopment Loan Program- municipalities or non-profit economic development organizations acquiring real estate for assembly into developable parcels
  - ◊ 10 yr. tax abatement from Dept. of Taxation to property applied to increase in assessed value of land, improvements, buildings, fixtures and other structures;
  - ◊ Loans from OWDA to local governments (private entities may also be eligible) undertaking brownfield remediation projects for land ultimately used for public purpose

## Clean Ohio Fund

The Clean Ohio Fund was originally proposed by Governor Bob Taft in his 2000 State of the State address. It was later approved by the citizens of Ohio as Issue 1 in November 2000 and subsequently passed in the General Assembly as House Bill 3.



- Provides new, dedicated source of \$200 million for cleaning up brownfields and other contaminated properties (\$45M annually with cap of \$3M for any project)
- Funds eligible for remediation of any abandoned, idled, or under-used parcel of commercial or industrial property where redevelopment is complicated by known or potential contamination by hazardous substances or petroleum
- Eligible applicants include: county; township; municipal corporation; port authority; conservancy district or park district, other similar park authority; nonprofit organization; or organization for profit which has entered into agreement to work with county, township, municipal corporation, port authority, or conservancy district
- Applicant must: hold public hearing regarding application; provide copy to public library in vicinity of discussed property; provide at least 25% of total cost

- Application reviewed by District Public Works Integrating Committee (IC) which prioritizes all applications based upon criteria and procedures- IC consults with local experts, economic development organizations, local business organizations, and other appropriate entities
- Clean Ohio Council is final decision-making entity housed within ODOD
- Selection based upon: mixed use development; economic benefit of remediation; environmental improvement of cleanup; amount and nature of match; funding priorities recommended by IC

## Tax Increment Financing (TIF) Districts

Tax increment financing (TIF) is an economic development tool that enables counties, townships, and municipal corporations to designate an area of land as an incentive district and apply the incremental taxes resulting from an increase in the assessed value of a developed parcel of land toward payment of public improvements that benefit the incentive district.



- To create TIF district, governmental authority must pass resolution or ordinance that specifies: (1) boundaries of district not larger than 300 acres; (2) percentage of increase in valuation exempt from property taxation; and (3) public improvements that benefit or serve parcels in district
- Area must meet criteria for economic distress or substandard physical infrastructure as classified by state
- Service payments made in lieu of taxes used to finance public improvements that benefit or serve parcels in district
- Public infrastructure improvement for any form of TIF includes, but is not limited to: public roads and highways, water and sewer lines, brownfield remediation, land acquisition, demolition, provision of gas, electric, and communications service facilities, and enhancement of public waterways through improvements that allow for greater public access.
- District may not be created solely for purpose of financing housing renovation- some share of payments must be used to finance other public improvements that benefit district, and some of the improvements must be for commercial or industrial purposes

For more information, call us at (513) 639-3900. ■



## Taking Butler County, Ohio Economic Development to the Next Level

The Economic Development Association of Butler County, Ohio (EDABC) was established in 1998 to unify the economic development marketing activities of the various jurisdictions, chambers of commerce business leaders. The non-profit entity has been led by an 18-member board of trustees representing 25 government organizations and all five Butler County Chambers of Commerce.

KMK Consulting is honored to be involved in the reinvention of Butler County's economic development system. KMKC was engaged to provide strategic counsel and advice to the EDABC to stabilize and fund its economic development program for the 2004-2006 cycle.

Throughout the course of the engagement, KMKC's work included: review of the existing economic development organizations and structures currently in place within the county to determine how existing organizations work with the EDABC; analysis of the organization's two-year strategic plan relative to its priorities and deliverables as part of the Butler County and regional economic development frameworks; interviews with approximately 15 designated leadership individuals across the County to determine their opinions, thoughts and financial support for the business plan; and providing final recommendations as to how the new program should be structured, governed and funded in order to provide the best coordinated economic development services to the county.

Butler County was extremely successful in 2002 with more "new to the region"



company investment and job growth than any of the other 13 counties in the Cincinnati USA region. In fact, Butler County was second to only Hamilton County for overall job growth and capital investment. In all, the county was responsible for \$143 million in new planned capital investment, 1,302 new jobs to be created and 3 million square feet of new planned construction. Other significant accomplishments in 2002 included launching a successful site consultant relationship building program, fulfilling over 200 information requests to potential or existing county businesses, and creating one of the Cincinnati region's most comprehensive electronic commercial/industrial land and building databases.

Some of the organizational changes that KMKC crafted include:

- Shifting the Board of Directors to a private sector led economic development organization- private sector leadership is critical to all successful economic development strategies
- Creating a new name, The Butler County Development Alliance, to reflect the renewed level of sophistication, lead collaboration and accountability-combined with a new web site address, [www.butlercounty.biz](http://www.butlercounty.biz), and new marketing material, the organization will be better positioned to create lasting impressions on prospects and site location consultants
- Developing a new mission: *To provide value-added services above and beyond the efforts of local community resources to encourage new investment, create jobs and expand the tax base in Butler County.*
- Creating two year goals: 500 new jobs to Butler County with an average annual pay of \$36,300; and \$20 million in

new capital investment

- Identifying target markets to attract high quality, skilled jobs and investment to Butler County:
  - ◊ Manufacturing – Automotive component suppliers and aerospace component suppliers are prime targets because the strong existing company and employee base in both of these sectors provides a supply of regional expertise, and comprises the links in the supply chain for potential new companies.
  - ◊ Insurance/Finance – With 25% (27,000 people) of Butler County's work force employed in manufacturing and insurance/finance, it is important for the county to play to its strengths in people talent and supply chain diversity. The large number of insurance companies, booming upscale residential market and amenities, and its fiber optic backbone will play an increasingly important role in insurance and high tech companies
  - ◊ Emerging Industries – With approximately 13,000 people employed in the health care industry in Butler County is large, growing, and one that will be closely monitored to take advantage of emerging opportunities
- Committing to enhancing regional economic development collaboration, leveraging and complementing the efforts and activities of the Cincinnati USA Partnership and the Dayton Development Coalition. ■

## Private-Sector Development Corporation Moving Forward

The Cincinnati Center City Development Corporation (3CDC) has continued its formation with the creation of its Board of Directors chaired by Procter & Gamble CEO A.G. Lafley, the appointment of an interim director while a national search is underway, and the creation of three groups

focused on Fountain Square, Over-the-Rhine, and The Banks. The Fountain Square group recently announced the selection of Baltimore-based Williams Jackson Ewing Inc. as the retail developer to attract retailers, restaurants and shoppers to the area.

KMKC assisted 3CDC leadership in the initial creation of the organization, and is working in conjunction with Hamilton, Rabinovitz and Alschuler to recruit 3CDC's president. The position should be filled in early 2004. ■



## Cincinnati Mayor's Economic Development Task Force Update

As reported in Volume 2, Issue 2 of The CEO Resource, Cincinnati Mayor Charlie Luken's Economic Development Task Force recommended a number of changes to the economic development delivery system in the City of Cincinnati. The Task Force reviewed regulatory impediments to development, economic development incentives successfully used in other parts of the state of Ohio and U.S., and the coordination of various economic development organizations currently providing services to Greater Cincinnati. Since City Council accepted the Task Force Report on May 7, 2003, a number of recommendations have been implemented to improve the way Cincinnati does economic development. Some of the highlights include:

- The creation of an Economic Development Division within the City Manager's Office and the hiring of Chad Munitz as the Director
- The ongoing realignment of development functions within the Economic Development Division and the Department



of Community Development & Planning to best meet market demand.

- The incorporation of the Cincinnati Center City Development Corporation (3CDC), a private-sector corporation chaired by Procter & Gamble Chairman/CEO A.G. Lafley, focusing on Over-the-Rhine, Fountain Square, and The Banks. 3CDC is in the process of selecting a President. KMKC is leading the search process along with New York firm, Hamilton, Rabinovitz and Alschuler
- The commitment of \$100 million by the City of Cincinnati for investment in city development projects to leverage a \$50 million fund created by 3CDC
- The acquisition of a 30,000 square foot facility by the City of Cincinnati to be home to the One-Stop Development Center. The Development Center is scheduled to open in the Spring of 2004
- The completion of a permit process review and improvement study conducted by The Ben Graham Corporation and senior City of Cincinnati administration

- The creation of 11 Tax Increment Financing (TIF) Districts by the City of Cincinnati to promote development in the city's neighborhoods

A number of other steps have been taken by the City of Cincinnati to improve its economic development system and to aggressively create, retain, and attract jobs.

KMK Consulting served as special counsel, providing strategic consultation and facilitation services, to the Task Force and its co-chairs, Cincinnati City Manager Valerie Lemmie and Fifth Third Bank President George Schaefer, Jr. We were engaged to assist in analyzing the current economic development operation of the City of Cincinnati as well as evaluating other organizational and delivery structures, and to design a system that encompasses the best practices of top-tier competitive cities across the country. We also assisted in the recruitment of the city's new economic development director as an outgrowth of the Task Force report.

## KMKC Completes Tampa Bay Campaign, Begins Work with Other Florida Economic Development Organizations

KMK Consulting is proud to announce that it has successfully completed its latest engagement with the **Tampa Bay Partnership**. KMKC directed the Partnership's strategic planning process, provided leadership development, capital formation and investor relations advisory services for this nationally acclaimed regional economic development organization. Jim McGraw, President and CEO of KMK Consulting, was the original architect of the Tampa Bay Partnership and directed it prior two capital programs. The Phase III effort included a capital initiative for \$13.2 million over five years.



development marketing; build a public policy process for unified regional influence at state and federal levels; become the center of business intelligence for regional economic development issues; and develop regional leadership. Phase III now allows the Partnership to operate with a total budget exceeding \$3 million annually, a 50% increase over Phase II, demonstrating their commitment and leadership in the Tampa Bay community.

Rhea Law, President and CEO of Fowler White Boggs Banker P.A. and outgoing Chair of the Partnership, said, "We would not have had the great year had it not been for your (KMKC) significant contributions."

our goals and achieve our success...and you are a big part of that. I really appreciate everything you do to push us forward and help us see new possibilities. I truly appreciate our professional and personal relationship and your caring and commitment" added Stu Rogel, President and CEO of the Partnership, talking about KMKC.

KMK Consulting recently began an engagement with the **Metro Orlando Economic Development Commission** (MOEDC) to direct a (cont. on p. 6)



The Phase III Program has four major priorities: deliver effective economic

"The real thanks go to all who helped us meet



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## Florida Economic Development Organizations (cont.)

leadership assessment process and to provide strategic advice regarding finalizing the structure, governance and programs of the MOEDC's next five-year economic development program for the Metro Orlando region. The MOEDC serves Orange, Seminole, Lake and Osceola Counties and the City of Orlando.

KMKC will also conduct the MOEDC's Accelerate 2008 \$27.5 million capital campaign. KMKC will focus its attention on strengthening relationships with existing private sector investors, retaining their financial support, increasing their financial and personal support wherever most appropriate and enhancing the MOEDC's current private-sector investor base. This effort, combined with public sector investment, will result in an annual operating budget of \$5.5 million for the next five-years.

KMK Consulting has also been retained by the **Economic Development Council of Collier County, Florida** to undertake a major analysis and leadership consensus building initiative regarding the future business to residential balance of that high growth county, including its prestigious community of Naples. Over 85% percent of Collier County's tax base is supported by residential real estate tax. This imbalance, while it reflects tremendous prosperity in parts of Collier County, is

distinctly out of line with other Florida communities. Florida's new Cornerstone Report, outlining the blueprint for economic development for the next ten years, presents opportunities for areas like Collier County to reemphasize and develop solutions for targeted business growth, complimentary of existing assets and businesses. KMKC will work directly with the Collier County EDC as well as the County's CEO group, the Chairman's Circle, to explore and craft a new blueprint for Collier County's economic future. ■

