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KMKC's Law Firm Parent Expands Economic Development Services— KMK Significantly Grows Bond & Municipal Law Practice

Richard D. Spoor has joined KMK Consulting Company's parent, Keating, Muething & Klekamp as a partner and his son William D. Spoor, has been hired as an associate. Both will practice in the real estate practice group in the area of bond and municipal law and financing transactions.

Specifically, this expanded practice capability will allow KMK to serve clients nationwide in all aspects of public or public/private bond financing whether they are private sector business clients, including: developers, seeking to issue bonds

or otherwise to benefit from municipal financing incentives; banks or other financial institutions seeking to participate in bond issues as purchasers, letter of credit or exchange (SWAP) counterparty provider or as bond underwriter; and state agencies, local governments and special districts seeking advice with respect to bond issuance or related municipal and federal tax law questions.

Dick Spoor received his A.B. from the University of Cincinnati (1966) and his J.D. from Harvard Law School (1972). He served as

an officer in the U.S. Army from 1966 to 1969, including service with the 1st Air Cavalry Division in Vietnam where he was awarded the Bronze Star, Purple Heart and the Air Medal. Prior to joining Keating, Muething & Klekamp, he was a partner with Hemmer, Spoor, Pangburn & DeFrank in Fort Mitchell, Kentucky and prior to that was a partner with Taft, Stettinius & Hollister. Dick has been actively involved in all aspects of bond law and municipal finance for more than 30 years.

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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.

**Congratulations
KMKC Client!**



netTrekker, the trusted search engine for schools, was honored by the Association of Educational Publishers with their 2004 Distinguished Achievement Award as the best educational website for children. There were over 1,400 entries for the Awards and other finalists in the best educational website for children category included products by Britannica, Scholastic and National Geographic.

For more information about netTrekker, visit them online at www.nettrekker.com.

KMKC Helps Tampa Bay Evaluate Its Competitiveness

When evaluating the national or global competitiveness of a region, it is almost always surprising and sobering to look at the difference between what business executives and elected officials think of their own community as distinguished from what outside centers of influence believe and understand about that same marketplace. Such an exercise is always a great tool for community leadership and their economic development organizations to improve communications to folks such as national site consultants. Stated a little differently, it is often a serious reminder that without the right perceptions and image held by such outside centers of influence, it is easy to be overlooked by corporations in their never-ending evaluation of new communities for expansion, consolidation, start-up or relocation.

The Tampa Bay Partnership, the economic development marketing, public policy and leadership organization representing the seven county region surrounding Tampa, with a population of 3.6 million and encompassing cities like St. Petersburg, Clearwater and Sarasota, just experienced the importance of this type of exercise with surprising results. The theme of the Tampa Bay Partnership's Sixth Annual Regional Leadership Conference May, 27-29, entitled "What Matters Most" presented an unprecedented opportunity for the 230 senior executives and community leaders in attendance.



(L to R) McGraw, Sangster, Gillespy, Boyette, Goldsmith

This highly successful conference, led by Dan Mahurin, CEO of SunTrust Tampa Bay and Frank Murphy of Bay Care Health, concluded in a resounding consensus to work toward a regional set of aspirations to assure Tampa Bay's strong dominance as both a business and quality of life destination for high value businesses and creative intellectual capital.

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Florida's Statewide Economic Development Entity Undertakes Major Governance Review

KMK Consulting Company was recently retained by Enterprise Florida, Inc. (EFI) to provide strategic advice and consulting services to this leading statewide public private partnership for economic development. EFI was formed in July 1996 when Florida became the first state in the nation to replace its Commerce Department with a public-private organization responsible for economic development, international trade and statewide business marketing. EFI collaborates with a network of regional and local economic development organizations to continually improve Florida's business climate and ensure its global competitiveness.

KMK Consulting Company was primarily engaged by EFI to provide advice regarding governance issues associated with its Board of Directors. The EFI Board is chaired by Governor Jeb Bush and is comprised of leaders from Florida's business, economic development, educational and government communities. KMKC was selected from among a group of ten national consulting groups who had submitted proposals for this unprecedented assignment with EFI.

KMK Consulting will provide a series of recommendations working directly with not only the senior management team of Enterprise Florida, but also a specially appointed task



force on governance. The Ad Hoc Committee on Governance was established to improve Board effectiveness

relative to maximizing its impact on the mission of EFI and to enhancing the value proposition of Board members. This project represents the first independent comprehensive review of governance structure, operation and effectiveness since Enterprise Florida's inception ten years ago.

The Ad Hoc Committee on Governance is chaired by Bill Habermeyer, President & CEO of Progress Energy Florida and current Vice Chairman of the Enterprise Florida Board of Directors. Other members of the Ad Hoc Committee on Governance include:

- ◊ George Koehn- Chairman, President & CEO, SunTrust Bank of Florida, Inc.

- ◊ Joseph Lacher- President, Bellsouth Telecommunications, Inc.
- ◊ Tom Morgan- President & CEO, Hughes Supply, Inc.
- ◊ Ed Morton- President & CEO, NCH Healthcare Systems
- ◊ Stuart Rogel- President & CEO, Tampa Bay Partnership
- ◊ Susan Story- President & CEO, Gulf Power Company

Jim McGraw, President and CEO of KMK Consulting, said, "We are honored to work with EFI senior management, the Ad Hoc Committee members and the entire Board of Directors as they move this organization to the next plateau of competitiveness in state level economic development. EFI clearly has a critically important role in strengthening the state's economy, from implementing the state's new strategic plan to maximizing the return on investment relative to the massive Scripps Research Institute project." ■

Proposed Tax Reform in Ohio – Does it improve State's competitiveness?

One of Ohio Governor Bob Taft's major policy initiatives throughout his tenure in office has been tax reform to make Ohio more competitive as it tries to attract high-wage jobs to the state.

The Ohio General Assembly is currently considering a bill introduced by Representative Sally Conway Kilbane (R-Rocky River) that would make widespread changes to the state's tax system. House Bill 58 was first introduced on February 12, 2003 and has been discussed and debated in the Ways and Means Committee, of which Rep. Kilbane serves as Chair, since. The bill has received quite a bit of attention in recent months as hearings have been winding down, and as the final bill approaches a potential vote. In fact, Rep. Kilbane said this past Monday, June 14 that she intends to move the bill out of committee as soon as possible later this year.

Among its major reforms, the proposed legislation:

- ◊ Eliminates the state corporate franchise tax and the tangible personal property tax beginning in tax year 2006
- ◊ Eliminates most business tax credits, deductions and exemptions
- ◊ Lowers payments to the Local Government and Local Government Revenue Assistance funds by an amount equal to the estimated county sales tax gains from the provisions of last year's biennium budget
- ◊ In order to replace lost revenue from the elimination of corporate franchise tax and tangible personal property tax, the proposal:
 - Creates a Business Activity Tax ("BAT") beginning in tax year 2006. The BAT would be a weighted combination of three components- a company's sales (60%), its property

(20%), and its payroll (20%)- and affect most business taxpayers, including pass through entities. The resulting tax base would then be multiplied by a tax rate of 0.71%. Real estate investment trusts (REITs), a frequently used tax shelter mechanism, would now be included in the class as companies subject to the BAT.

- Eliminates the 10% tax rollback on commercial real property that companies now receive
- ◊ The reforms would not affect Ohio's taxation of financial institutions, insurance companies and public utilities. They would continue to be taxed as they are under current law.

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Community Foundations: New Leadership for Economic Development

By: Bob Jennings

Many communities across the United States could be overlooking a significant asset in their overall economic development portfolio. Community foundations can be just the right vehicle to provide expertise and capital to augment a strong economic development program. Many times economic development dollars and specific expertise from “traditional sources” are spread so thin they become transparent. Unfortunately, that is what the prospects see when they come to such communities – transparency. Companies are looking for substance and depth to an overall economic development package from a community they are considering. Finding a way to include your community foundation as a part of the overall economic development package can enhance your position with prospects and possibly seal the deal.

There is tremendous pressure on local economic development organizations to produce more and more jobs and opportunities, with fewer and fewer resources. Both local economic development corporations and chambers of commerce are searching for compatible economic development partners. With a sizable asset base, a community-focused approach and a charter to better the community, local community foundations have become a trusted and critical economic development partner in some cities. It is sometimes perceived as an unholy alliance by those with a narrow view of the role of community philanthropy. Participation by community foundations in an overall plan can very often be a powerful tool for communities to grow. The action orientation of many chambers of commerce coupled with the long term strategic viewpoint of the community foundation makes for a powerful blend of economic development strategy and tactics. We have reviewed a number of community foundation/economic organization models to see where the combination might work most successfully. In some communities, the foundation may be the catalyst for change while in others it may act as the principal in the overall project. Bottom line, these partnerships are growing and none too soon.

We commend two community foundations in KMKC client cities where they have shown themselves to be adept at knowing how to create, both locally focused, value added leadership and funding of economic

development. Indeed, this is all to the marked betterment of those communities. The Baton Rouge Area Foundation (“BRAAF”) was founded in 1964 and is clearly a progressive force for change in this Louisiana community. Indeed, BRAAF traces its economic development roots back to the 1960s when BRAAF encouraged the Gulf South Research Institute to move to much bigger quarters and stay in town. BRAAF acquired a 200-acre scientific complex and donated it to the Research Institute to encourage it to stay in Baton Rouge. Three years ago, BRAAF determined to aggressively and systematically provide new economic development initiatives in the community. Since then it has become active in providing funding, real estate development services and cutting edge research on matters relating to the local economy. BRAAF has worked closely with private businesses, local governments, the Chamber of Greater Baton Rouge and others to make projects and initiatives work in the Capital Region.



Locally, some may have wondered if that decision was an appropriate departure from a more traditional charitable giving model. But to BRAAF it saw its mission to be consistent with this endeavor. The

BRAAF philosophy of entrepreneurial philanthropy seems to have found roots in Baton Rouge. By taking a risk where a greater social benefit looms on the horizon, the foundation provides the strength to the community to enhance economic development. In Baton Rouge, BRAAF took a lead role in encouraging and supporting “Plan Baton Rouge” efforts to enhance the downtown. Through these efforts enormous progress has been made to undertake and implement a plan to transform downtown through the principles of “new urbanism.” Even more noteworthy, that same spirit of local risk taking is at work in BRAAF’s for profit entity, Commercial Properties Development Corp. Commercial Properties was a bequest of an operating real estate business by a Baton Rouge developer to the BRAAF. It is involved in the development of several high profile commercial properties in Baton Rouge. All in all, BRAAF in its entrepreneurial roles and objectives has had a profound effect on the landscape of the City of Baton Rouge and its business base. As John Davis, the President and CEO of BRAAF said recently, “community foundations are involved

in economic development because it provides the community real value over time.”

The Greater Cincinnati Foundation (“GCF”), founded in 1963, is a bit of a different leader. True to its roots, the GCF has been involved in providing grants to enhance the community and the relations between its citizens over the years. Like BRAAF, it has taken a regional approach to growth. GCF has participated in a Regional Initiatives Fund (RIF). The RIF supports innovative regional initiatives and is a collaborative effort of twelve regional, corporate, private and community foundations. It provides seed capital for innovation and entrepreneurial regional initiatives. GCF leadership has made this focus on entrepreneurial spirit in the area work very effectively.

GCF has taken the initiative to stimulate other foundations to pool resources and target monies for efforts that address the opportunities within the community. One of those areas is to provide seed money to help stimulate economic development. Indeed, it has begun funding studies and local initiatives to create additional growth from the riverfront to Over-the-Rhine to the boundaries of the region. It remains to be seen how much GCF evolves to a role as a full partner and principal player in economic development to the extent of the likes of BRAAF. But if recent performance is a good barometer, you can count on it.

To create the environment for jobs, a growing number of communities are turning to their philanthropic organizations already at their doorsteps. They have proven to be a good partner in a number of communities. Over time, we believe that more and more community foundations will become vital players in economic development. Their leadership and asset and resource base, along with their community centric approach, provides the platform on which an economic development collaboration can build great communities. ■





KMK Significantly Grows Bond and Municipal Law Practice (cont.)

William “Dean” Spoor received his B.A. from Xavier University (1999) and his J.D. from the University of Cincinnati College of Law (2002). Prior to joining the firm, he was an associate with Hemmer, Spoor, Pangburn & DeFrank.

The addition of Dick and Dean Spoor expands KMK’s bond & municipal law practice area as they join Robert W. Jennings, Jr. and David A. D’Avignon who also joined the firm within the last year.

Bob Jennings serves as Vice President of KMK Consulting Company and is also an attorney with KMK. Prior to joining KMK, he was with the law firm of Griffin-Fletcher, LLP, where he provided legal and advisory services to real estate developers, financial

institutions and private corporations. Bob worked as a bond attorney with Peck, Shaffer & Williams LLP for 14 years.

David D’Avignon’s practice is concentrated in the area of municipal law and real estate law. Prior to joining Keating, Muething & Klekamp, he worked as a Senior Assistant City Solicitor in the City of Cincinnati Department of Law dealing with a vast array of complex municipal real estate matters.

“We are very excited that Dick Spoor has decided to join KMK,” said Paul V. Muething, Managing Partner. “His reputation, experience and knowledge in bond and municipal law will be a valuable asset to our clients. Given that bond financing and other sophisticated forms of economic development

assistance are an integral part of most development projects today, we believe that KMK needed to assemble a team of professionals, who could, together with our large real estate practice group, more effectively advise our clients in dealing with these matters. With the addition of Dick, we have now successfully assembled that team and look forward to offering these expanded services nationally to developers, issuers of bonds, bond underwriters, and financial institutions involved in these projects.”

For more information, contact Bob Jennings at 513-639-3905 or rjennings@kmkconsulting.com. ■

Mid-sized Manufacturing Initiative: Changing the Rules for Competitive Advantage

Successful economic development professionals get to know their manufacturing constituents before a major event reshapes the company’s business and impacts their relationship with the community. These managers strive to add value and think outside the box to help large employers during unsettling economic times.

The past several years have been difficult for America’s manufacturers. Yet, there is good news. The current outlook is positive with regards to employment, revenues, profits, and capital expenditures; and mid-sized manufacturing companies are expected to lead the charge.

However, the executive management of these companies still face stiff competition from global suppliers in India and China, amongst other countries. These competitors continue to pressure American mid-sized manufacturing companies to improve operational efficiencies and to take stock as to what their company will look like in the next several years.

Recently, KMK Consulting initiated a relationship with think3, Inc. with the goal of helping economic development organizations build and strengthen their relationships with the mid-sized manufacturing base by helping these clients to improve their company’s competitiveness.

Joe Costello, think3 CEO & Chairman states, “Our customers are mid-sized manufacturers that serve a growing list of diverse markets such as transportation, packaging, molds, furniture, yachts and medical devices. We assist them to shorten time-to-market, improve revenues, reduce cost of goods sold and free up working capital for investment back in their business.”

KMK Consulting and think3 are available to co-sponsor with your economic development organizations an executive forum entitled “Changing the Rules to Gain Competitive Advantage.” The target audience is executive management of small to mid-sized manufacturing companies in your region. Previous sessions have led to an exchange of ideas on ways to improve business processes, increase sales, reduce costs and how to best address off-shore competition.

“We’re not aware of another company with think3’s depth and breadth of expertise working exclusively with mid-sized manufacturing companies to help them bring about significant operational improvements and cost savings,” says Jim McGraw, President & CEO of KMK Consulting. “Manufacturing companies are important to the economic base of many regions. Assisting them to improve their competitive position,

benefits the company, its employees and the local community, and it strengthens the economic development professional’s relationship with that client.”

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

KMKC assisted think3 in the procurement of nearly \$2 million worth of state and local economic development incentives to relocate its worldwide corporate headquarters from Pleasanton, California to an 8,000 square-foot office facility in downtown Cincinnati. The company invested in leasehold improvements as well as in machinery and equipment, and have committed to hiring at least 45 new employees for the Cincinnati location within the first three years of operation.

think3, with 5,000 customers worldwide, recently reported a 46% increase in revenues for the first quarter. For more information, contact Jim Benedict at 513-639-3963 or Mike Pepe at Mike.Pepe@think3.com. ■



St. Louis RCGA Lays Foundation for Unprecedented Economic Development Initiative

By: Dick Fleming, President & CEO, St. Louis Regional Chamber & Growth Association

Economic development doesn't happen by accident. Even during the best of times – such as the economic boom the nation enjoyed during much of the 1990s – it takes regional teamwork and unified strategy. In St. Louis, that approach has been epitomized by the Campaign for a Greater St. Louis.

In 1994, then-RCGA Chairman Earle Harbison set out to overcome what he saw as the fragmented landscape of the region, in which jurisdictions “raided” each other for jobs, resulting in decades of virtually no new job growth. His leadership helped the RCGA to establish the Campaign for a Greater St. Louis, a multi-year economic development effort.

From the beginning, the goal was ambitious: create 100,000 new jobs in the region between 1995 and 2000. To the region's delight, this goal was actually surpassed, with 112,000 net new jobs created. Those were heady times, and the RCGA and its local partners were “playing offense,” capturing the region's share of a growing U.S. economy.

The second economic development campaign, which began in 2000 and concludes at the end of this year, was organized around a set of regional initiatives intended to improve the St. Louis region. Although the economic and

geopolitical challenges that faced the entire U.S. made it impossible to enjoy another wave of job creation like was saw during the first campaign, the region has made solid progress:

- ◊ Notwithstanding a challenging national and state economy, the second economic development campaign has had an aggregate regional job impact of nearly 50,000 jobs since 2000.
- ◊ Distinctive cluster strategies have been developed to guide business development retention and expansion in life sciences, IT, and advanced manufacturing.
- ◊ The business and civic leadership is unified behind a clear and focused infrastructure agenda for the region, including a new \$1.6 billion Mississippi River Bridge.
- ◊ The revitalization of the region's central city and community capitalism efforts have added \$2.1 billion in new private and public investment.
- ◊ The region's workforce and talent needs and trends have been documented as a foundation for a talent retention and recruitment strategy to support job growth in the region.
- ◊ The Regional Business Council, now a

consortium of 95 CEOs of leading mid-cap companies, was organized, spun-out of the RCGA, and is now a thriving civic contributor.

As St. Louis approaches its third campaign, which will begin next year, the RCGA engaged Jim McGraw, President of KMK Consulting. He and his partner, Paul Jacobs, have been meeting with current and potential investors, and already several themes are emerging: The new campaign must focus on deal-making, marketing and selling the region.



Leadership from the business community and the public sector partners is critical to this effort. Today, approximately 130 public and private investors fund the \$2.7 million annual operating budget for the economic development initiative. Throughout the next eight months the RCGA will be working to engage existing investors in this third campaign, as well as broaden the base of support through new investors – leading up to a January 2005 launch of the new five-year program. ■

Ohio Tax Reform (cont.)

- ◊ Provides owners of pass-through entities with a credit to apply against Ohio personal income tax for the owners' proportionate shares of BAT liability.
- ◊ Permits holders of job creation/job retention tax credits to use the credits against BAT liability but prevents any credits against the franchise tax or BAT from being granted after the effective date of the bill.

As you might expect with such sweeping tax reform, there has been a good amount of opposition to the proposed changes. Among the most vocal opposition to the bill has the Ohio Council of Retail Merchants. Their major concern is regarding the proposed BAT since its formula is based largely (60%) on a company's sales. Without sales, retail does not exist, so any tax structure that puts so much weight on sales could have a significant

negative impact on this sector of the economy. Compounding the problem with the BAT for retailers is the fact that the proposal calls for the elimination of most tax credits, deductions and exemptions. Therefore, any retailer with a distribution facility or warehouse within an Enterprise Zone where it has received tax breaks would be affected.

Another party that has voiced concern over the proposed reform has been school districts. The proposed elimination of the tangible personal property tax causes some districts to worry since they depend on revenues from these taxes as funding streams. The proposed bill provides for replacing the funds with payments on a declining basis through 2020 but school funding advocates are still concerned about any decline in future revenue. Local

governmental units would also receive phase-out payments through 2015 to account for any loss from the tangible personal property tax elimination. The change in the tax system is intended to be revenue neutral for schools and governmental units.

Chip Gerhardt, Vice President of KMK Consulting and head of its government affairs practice, said, “There are bound to be winners and losers any time that major changes are made to the tax code. That is precisely why it is so important for businesses to remain informed of the proposed changes and to convey their concerns to members of the legislature. Failure to effectively weigh in on the debate can have a devastating effect on a company's tax bill, and consequently its bottom line.” ■



KMKC Assists Manufacturing Company with Procurement of Economic Development Incentives

KMK Consulting would like to congratulate J&M Precision Manufacturing for its recent approval from the State of Ohio Controlling Board for a \$50,000 412 Business Development grant and a \$1.75 million Minority Business Direct Loan. The economic development incentives will assist the company purchase new machinery and equipment, expand its existing facility, build a material handling facility, and construct an outdoor storage site for raw material storage in Blanchester, Ohio about 40 miles northeast of Cincinnati.

J&M has been awarded a package of ten parts to be machined under purchase order from the Timken Company in Canton, Ohio. The expected length of production of the parts ranges from 3 to 12 years and will result in the production of approximately 14,000 pieces per year. Four of the ten parts will be provided to Delphi Automotive with

the remaining six parts provided to Ford. To accomplish the project, J&M will invest approximately \$8.6 Million in new machinery and equipment, facilities, and system enhancements. The company also expects to hire at least 25 new employees within the next 3 years.

J&M Precision Machining was founded in 1978 by John Hrabovsky, a retired machinist at Ford Motor Company. His objective was to provide high quality, metal part machining for the automotive industry. Over the next 23 years, Mr. Hrabovsky built a reputation for producing “zero defect” machined parts for the “Big 3” auto makers as well as numerous Tier I suppliers. The company grew from its original location in a barn to a modern manufacturing facility equipped with robotic as well as manual turning centers.

Mr. Hrabovsky sold J&M to Ross Love in September 2001. Since then, Mr. Love has continued J&M’s reputation for excellence in production as well as providing the focus for expanding its business base. In addition, Mr. Love has expanded J&M’s potential customer base through certification in both the South Central Ohio and Kentuckiana Business Councils. J&M is also a certified Minority Business Enterprise in the State of Ohio.

With a focus on turning parts, J&M has manufactured numerous parts for various transmissions and drive trains. Currently, J&M provides parts to General Motors, Ford, Metaldyne, and Timken. J&M has been QS-9000 qualified for eight years. ■

Tampa Bay Evaluates Competitiveness (cont.)

The opening two and half hour session at the Sarasota Ritz-Carlton entitled “Is Tampa Bay Competitive?” was led by Jim McGraw, President and CEO of KMKC and focused on the views of a distinguished group of outside national and global consultants including:

- ◊ Curtis Johnson, President of Citistates Group
- ◊ Del Boyette, National Leader for Comprehensive Incentives Management with Deloitte & Touche
- ◊ Clark Gillespy, Managing Director of Flour Global Location Strategies
- ◊ Jonathan Sangster, Senior Managing Director of CB Richard Ellis, Inc.
- ◊ Jeannette Goldsmith, Principal of McCallum Sweeney Consulting
- ◊ Ann Duncan, Senior Vice President of CLW Real Estate Services Group

Their strongest themes focused on cost of business, qualified workforce, image and CEO involvement in the sales process. Although dynamic, educational and very impactful to the audience of community leaders, what drove the message home was the announcement of The Depository Trust & Clearing Corporation (DTCC) finalizing its decision to locate in Tampa following a 24 city search for a major expansion outside of New York city and the unannounced visit to the podium by its senior Tampa official, Tony Savarese, Managing Director of Corporate Services. In addition to winning this 24 city competition, investing \$34 million and bringing 500 new high-tech, high-wage jobs to Tampa Bay, Tony announced that he

expects the relocation opportunity being offered to their New York city employees will exceed 75%!

“It was a real pleasure to once again be a part of one of the top economic development regional leadership conferences in the country. The Tampa Bay leadership certainly has a powerful asset in their Partnership. I highly recommend other economic development organizations to learn from Tampa Bay Partnership’s success with this conference” said McGraw. ■