

Lexington: Strides Ahead!

One Team: One Vision 2

Investor Update

January 1 — March 31, 2012



dreamers welcome.
regardless of what your dream truly is,
let's orchestrate it together.

visionaries welcome.
bring your vision - we'll help you realize it.

mavericks welcome.
we appreciate the
maverick in every bunch.

you're welcome.
Lexington welcomes visionaries, dreamers, mavericks -
businessmen and women who want to prosper and innovate,
create opportunities, change lives and build communities.

dreamers welcome.

visionaries welcome.

mavericks welcome.

You're welcome.



Project Activity



Good news! Client activity in both new leads and companies making site visits are up! We are working on 39 recruitment projects, an increase of 12 projects as compared to the same time last year. Of those projects, 9 have visited Lexington, that's an increase of 6 visits over last year. We are working diligently to close the deals!

Staff Announcement



The economic development division is excited to announce the hiring of Ms. Margaret Ridley as our new Project Manager. Margaret was recently a Community Development Specialist for the Bluegrass Area Development District. She has background in economic development and will be working on project activity, as well as managing our industry networks. We're excited to have her on board!

Awards and Accolades



The **University of Kentucky Wildcats** are **#1!** Did you know that Lexington is also home to a **#1** Economic Development Group in the nation?

Group C Media, Inc., the parent company of *Business Facilities*, is an integrated business to business media company that covers the full life cycle of a facility through national magazines, events, and web communities. From the moment a company decides it needs to build, lease, or consolidate a new facility, corporate executives in charge of this daunting task turn to Business Facilities to make an informed decision.

Business Facilities
THE LOCATION ADVISOR

Business Facilities has introduced a new annual series of Economic Development Awards to honor the agencies and organizations that have established and consistently executed the best practices in the industry, bringing measurable success in targeted economic development to the locations they represent.

The **winner** of the Economic Development Excellence Award (Population 200k – 500k) is **Commerce Lexington Inc.**

“Year in and year out, the folks at Commerce Lexington are setting the standard for a full-service, highly professional economic development effort, making the organization a clear choice for this award.”

The numbers alone don’t tell the success story for the Lexington, KY region, but they are impressive: overall, in 2011, more than \$133 million in new capital investment was pulled into the region, including about \$67.5 million for the top 10 projects alone.

This very same award for populations greater than 500k was awarded to the Greater Austin Chamber of Commerce. With all of the positive attention Austin seems to get for its economic development efforts, it’s nice to know that Lexington is in the same playing field.



Lexington, Kentucky



Austin, Texas

Locations & Expansions

SMC Manufacturing Services



SMC was a successful regional EMS company from 1994 to 2007, providing full service EMS and systems integration solutions to customers. Custom Wiring has been a regional wire harness and cable assembly company since 1978. Rob Coats, a Lexington entrepreneur, who sold SMC in 2007, purchased Custom Wiring in May of 2011. He then added EMS and Systems Integration capabilities so the new SMC will have all three options for customers. Joining Mr. Coats in this venture are thirteen of the key people that made SMC a success the first time. By recruiting the “right” employees; choosing the best equipment; installing all of the necessary engineering services; and utilizing our business principles, SMC is quickly becoming a thriving corporation. SMC is located in Nicholasville.

94 New Jobs

\$1,880,000

Investment

KD Analytical



On February 28, 2012 KD Analytical Consulting Inc. announced it will add 15 new full time employees. KD Analytical provides support, service and training for chemical, biological, radiological and nuclear (CBRN) detection equipment. KD’s Lexington facility was established at Bluegrass Station in 2010 to provide support and service to the Air Force, supporting more than 80 bases worldwide. This expansion includes an additional 7,000 square foot addition to their facilities and an investment of nearly \$900,000. The expansion will provide support, service and training to the local emergency management first responders. Commerce Lexington is excited that KD Analytical chose Bluegrass Station for this expansion project and we look forward to working with them in the future.

15 New Jobs

\$52,000 AVG Wage

\$897,800

Investment

Locations & Expansions

Lexmark International Inc.



Lexmark International, Inc. continues their plans for increasing research and development investment at their corporate headquarters in Lexington. Lexmark has made significant investments in their facility in the past and we were pleased to learn of

their plans to invest \$20,000,000 in additional capitalized R&D equipment, electronic processing equipment and facility improvements. Commerce Lexington is certainly proud that Lexmark calls Lexington home and we look forward to working with the company for many years to come.

\$20,000,000
Investment

CirrusMio

Commerce Lexington Inc. and the Bluegrass Business Development Partnership recently announced the location of a new software start-up company. The company, CirrusMio, is a subsidiary of Metaformers, which has a presence in Lexington. CirrusMio will provide cloud-based software solutions for the public sector. The company is located in Barrister Hall downtown and will hire 10 new high-tech jobs and a capital investment of \$200,000. The company received a High-tech Forgivable Loan from the Kentucky Cabinet for Economic Development for the creation of high-tech jobs.

10 New Jobs
\$69,500 AVG Wage
\$200,000
Investment



“We are excited by the opportunity to build CirrusMio in Kentucky with the support of KEDFA,” said Andrew Beck, vice president of global operations of Metaformers. “We were impressed by the enthusiasm and support offered by Commerce Lexington Inc., the University of Kentucky, the city of Lexington and the Commonwealth of Kentucky state government for our organization. It is the shared goal of these organizations and CirrusMio to build a technology and skills infrastructure supporting cloud-based solutions, bringing Kentucky to the cutting edge of IT and business solutions. Through the employment of skilled team members in the region and our commitment to the community, we expect to build value in many ways for the people of Kentucky from their investment in us.”

Locations & Expansions

11 Bluegrass Companies Receive SBIR/STTR Match

The economic development team is excited to share that Governor Beshear recently announced that 17 high-tech companies received state SBIR-STTR matching funds to assist with their federal grant research. Of the 17 companies, 11 are located in the Lexington region! The Bluegrass Business Development Partnership has had the pleasure of working with the Central Kentucky companies with expansion and recruitment assistance. The state's matching fund is a great asset for our existing and new companies who have received federal SBIR-STTR grants. We're proud that so many of these companies call Lexington home!

The companies are:

- 3H Company
- AllTranz
- AMT Nano
- ATI
- customKYnetics
- Invenio Therapeutics
- nGimat
- Orthopeutics
- ParaTechs
- Transposagen
- W-Z Biotech



Commonwealth of Kentucky
Office of the Governor

Gov. Beshear Announces \$6.2 Million in Awards to 17 High-Tech Small Businesses

State program matches federal grants received by Kentucky firms

FRANKFORT, Ky. (March 19, 2012) – Governor Steve Beshear today announced 17 high-tech Kentucky companies will share \$6.2 million in state funds as part of a program to support and attract technology-based small businesses.

Through the state's competitive Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Matching Funds program, Kentucky matches all or part of federal SBIR-STTR awards received by Kentucky-based companies or those willing to relocate operations to Kentucky.

"These 17 companies are developing some of the nation's most promising new technologies, as recognized by experts on both the federal and state levels," said Gov. Beshear. "From finding cancer treatments, to combating Alzheimer's disease, to helping develop long-lasting batteries for electric vehicles, Kentucky is proud to help support these innovators and entrepreneurs who are helping create high-tech businesses and high-paying jobs throughout the Commonwealth."

Rankings

Competitive Alternatives is KPMG's guide to comparing international business locations in mature and high growth markets.



Competitive Alternatives 2012 is an expansion and update of previous KPMG publications, and measures the combined impact of 26 significant business cost components that are most likely to vary by location. The study also compares data on a variety of non-cost competitiveness factors. The study examines 19 industry operations in 14 countries: Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, the Netherlands, Russia, the United Kingdom, and the United States.

#4 Lexington, KY ranked 4th in KPMG's Competitive Alternatives Guide to International Business Location Costs.

The Kauffman Index of Entrepreneurial Activity is a leading indicator of new business creation in the United States. Capturing new business owners in their first month of significant business activity, this measure provides the earliest documentation of new business development across the country.



#8 Kentucky rated 8th for Entrepreneurial activity in 2011

According to The Kindle Index, Lexington, Kentucky is the most e-literate city in America.

#1 Lexington, KY ranks at the top of Kindle Fire ownership.



On The Road

ORLANDO, FL



The economic development team attended the Site Selectors Guild annual conference in January. This conference not only provided a forum for communities to network and meet with site selection consultants one-on-one, but to learn about industry and economic development trends in the United States and world. Many of the sessions focused on emerging industries, such as a renewable energy technology, and how communities can market themselves as a great place for business. A large portion of the leads we receive throughout the year are from site selection consultants, so it's vital for our team to keep in contact through conferences and individual meetings.

ANAHEIM, CA

Commerce Lexington's economic development division participated in the Medical Design & Manufacturing tradeshow February 14 – 16 in Anaheim, California. We partnered with LG&E – Kentucky Utilities, who hosted a booth in the exhibition hall. The tradeshow was a great source of potential clients in the manufacturing and medical device industry, which falls in two of our strategic targets: manufacturing and life sciences.



EVENT SCHEDULE (January—June 2012)

Event	Purpose	City	Date
Site Selectors Guild	Conference for ED professionals and 25 top site selection consultants	Orlando, FL	January 22 – 24, 2012
Medical Device & Manufacturing Tradeshow	Tradeshow for medical device manufacturing companies – partner with LG&E – KU	Anaheim, CA	February 14 – 16, 2012
KentuckyUnited & KY Association for Economic Development (KAED) Spring Conference	Conference for KAED ED professionals and six - ten site selection consultants	Lexington, KY	April 17 – 19, 2012
International Asset Management Council (IAMC) – Spring Forum	Forum for corporations, real estate professionals and ED professionals	Austin, TX	April 21 – 25, 2012
KentuckyUnited Consultant Event	Site selection consultant luncheon	New York, NY	May 10, 2012
National NIH SBIR Conference	Conference for companies with NIH grants or potential grants.	Louisville, KY	May 30 – June 1, 2012
KentuckyUnited Marketing Trip	Statewide marketing organization – one-on-one meetings with consultants and companies	Boston, MA	June 12 – 14, 2012
BIO International Convention	International biotechnology conference and tradeshow & KY Governor's Reception	Boston, MA	June 18 – 21, 2012

Start-Up Company Celebration

Lexington Venture Club hosted the annual Entrepreneurial Celebration on February 1. This year's theme, Celebrating the Disco Stars of our Startup Community, was a groovy success! Each year the Venture Club recognizes entrepreneurial companies in Lexington and the region that received investment, grants, and other funding. 2011 proved to be another fab year! Below are the results of the survey. Seventy-eight companies received nearly \$70 million in funding in 2011! These far out companies employ 605 full-time people with an average wage of over \$65,000 a year! The success of the entrepreneurial companies is vital to Lexington's economy and we're glad we got boogey down with these superstars at the celebration event.



Funding Totals (\$Millions)



Community & Minority Business Development

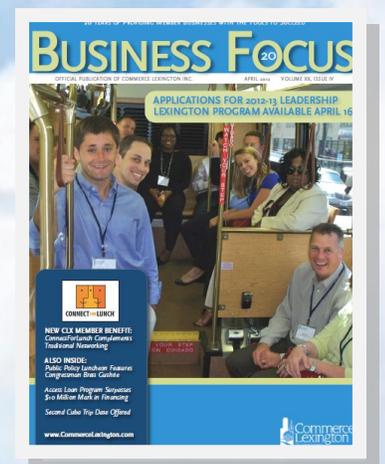
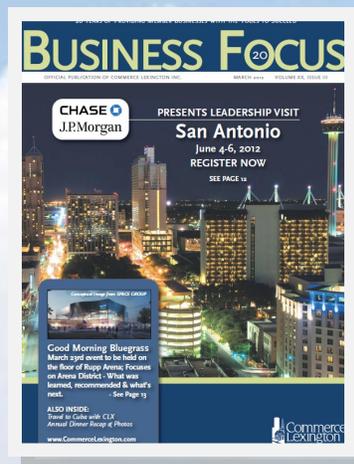
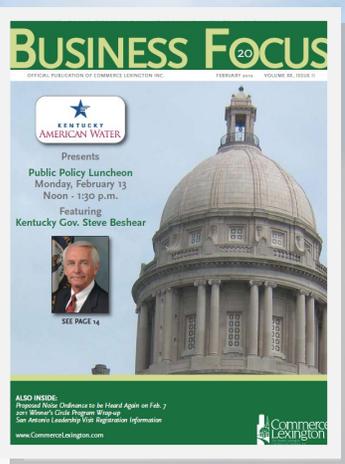
The Access Loan Program topped \$10 million dollars in the first quarter. Along with all of our bank partners, this milestone is one we have worked for the past year. Considering the economic downturn of the last few years we think we have had the good fortune of working with a quite a few good and determined entrepreneurs like veterinarians; creative retail shop owners; innovative funeral directors; and successful computer technologists, to name a few. In the past seven years the program and its lenders have loaned over \$5.7 million dollars. This allows us to think we have a tried and true review process and great group of volunteer committee members that dedicate time and their professionalism to this effort. This report would not be complete if we did not thank our partners that assist in bringing each eligible business owner to the table, the Bluegrass Small Business Development Center.



\$10,044,160



Senior Vice President of Communications, Mark Turner has agreed to print a series of stories in the Commerce Lexington Business Focus magazine on some the businesses we have assisted in either getting their opportunity started or expanded. The initial article ran in last month's magazine. The program is also celebrating another round of funding from Toyota Motor Manufacturing Kentucky. After conducting reviews of our activities with some of our regional partners, we will use the funds to grow the program through those partners.



Community & Minority Business Development

The board of directors of Commerce Lexington has appointed Larry Forester, Vice President—Commercial of Community Trust Bank, as chair of the Minority Business Development Advisory Committee.



Minority Business Accelerator

With the assistance of former chair Danny Murphy, Larry Forester has charged the committee with assisting Tyrone in the development and launch of the Minority Business Accelerator. We are currently working a dual track of contacting large businesses and qualified minority businesses to participate in the program.

Mission:

- Accelerate growth of sizeable minority business enterprises (MBEs)
- Strengthen and expand the regional minority entrepreneurial community

Opportunity Exchange

The Opportunity Exchange was held on March 28th, 2012 at the Clarion Hotel on Newtown Pike from 4:30pm- 6:30pm. The main topics were minority business certification, and a presentation by LFUCG employee Marilyn Clark, on “How to Do Business Withthe City”. We netted about 22 participants. This is one of our most venerable activities to offer education and networking for minority and women-owned businesses.



Become a Facebook fan— www.facebook.com/clmbd

Business & Education Network

We need you: Business  To Connect with Education!

You can make an impact on both students and teachers through several initiatives of the Business and Education Network (BEN)!

Best in the Bluegrass

Internship/Scholarship Initiative (BBG)

2012 marks the fifth year in which the Best in the Bluegrass is being offered to high-performing students in Fayette County Schools, who are going to college outside of Kentucky. Five outstanding students have been selected. If you would like to offer a 4-week internship opportunity to one of these students, please contact Pamela Trautner at 859-226-1624 or ptrautner@commercelexington.com.



Following are the areas of interest for new and returning students:

- Biology
- Biomedical Engineering
- Aerospace Engineering
- Medicine/Dermatology/
- Political Science/Public Policy

The intent of the Best in the Bluegrass is to connect these students, who have already decided to go to school outside Kentucky, with companies or organizations in Central Kentucky...ones with high-level, high-tech and interesting career opportunities that perhaps the students do not know about. They're already leaving Kentucky. Let's show them there are reasons for them to come back sooner rather than later. Students will get a \$1,000 scholarship and a 4-6 week internship/mentoring opportunity.



Business & Education Network

Lexmark Teacher Institute

You can connect with math and science teachers this summer to demonstrate how these two subjects are applied in the workplace. Helping teachers make real-world connections with their curriculum, makes for a better teaching and learning experience for students. Interested in working with a group of teachers? Contact Pamela Trautner at 859-226-1624 or ptrautner@commercelexington.com.



The LTI is July 30-August 3, 2012.

Entrepreneur Leadership Institute

Share your story with 30 high school juniors and seniors who will be attending the Entrepreneur Leadership Institute, a collaborative effort with Sullivan University, will be June 11-15.



College Connections

We have initiated conversations with several professors at UK to try to better and more intentionally connect with college students. The focus would center on economic development and career opportunities in Lexington. The community becomes the classroom.

Contact Center Consortium Network (C³N)

A growing sector for Lexington has been contact centers, which provide a variety of inbound/outbound services for technology, healthcare, utilities, financial and many other industries. Commerce Lexington recently formed the Contact Center Consortium Network (C³N) to provide a forum for similar companies to share ideas, best practices, trends, challenges, opportunities and much more. This spring the C³N group decided to focus on ways their companies can work together on training and workforce development. BEN will be coordinating these efforts.

Contact Center Consortium Network (C³N)

C³N Quarterly Meeting—April 11, 2012

You are invited to the second quarterly meeting of area HR and management professionals in the contact center industry.

Location: XEROX (formerly ACS)
101 Yorkshire Blvd.
Date: Wednesday, April 11
Time: 8:30 – 10:30 a.m.
RSVP: 859-225-5005 or ptrautner@commercelexington.com

Discussion Topics
Consortium member Linda Rosenberg, Customer Service Manager for Tempus-Pedic, will facilitate discussions focusing on:

- ✓ Inside A Low Effort Service Organization
- ✓ Effective benchmarking metrics

Linda brings more than 25 years of experience in the call center industry. Starting as a CSR at General Electric, she worked her way up to manager. She has set up and managed call centers in the U.S., Asia and Europe. Before returning to Kentucky and joining Tempus-Pedic, Linda was Director of Customer Operations for the State of Illinois Employment Security.

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Commerce Lexington Economic Development
330 E. Main Street
Lexington, KY 40507

Questions?
Call Pamela Trautner at 859-225-5005 or email ptrautner@commercelexington.com