



## CABINET FOR ECONOMIC DEVELOPMENT

**Andy Beshear**  
Governor

Old Capitol Annex  
300 West Broadway  
Frankfort, Kentucky 40601

**Larry Hayes**  
Interim Secretary

December 16, 2021

Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
Room 383, Capitol Annex  
Frankfort, KY 40601

**RE: Economic Development Fund Grant - \$100,000 to the City of Elizabethtown on behalf of Kruger Packaging (USA) LLC**

Dear Secretary Johnson:

In accordance with KRS 154.12-100, this letter shall serve as notice of my recommendation for the use of \$100,000 in Economic Development Fund (EDF) funds for the purpose of making a grant to the City of Elizabethtown on behalf of Kruger Packaging (USA) LLC.

Kruger Packaging (USA) LLC is a subsidiary of Kruger Inc. The company will establish its first corrugated box plant in the United States (U.S.). The plant will serve future and existing customers located across the Midwest and Southern U.S. The proposed EDF grant funds will be used to offset the capital investment costs associated with the project.

In consideration of this EDF grant, Kruger Packaging (USA) LLC will be required to make investment and create new, full-time jobs for employees subject to Kentucky individual income tax (excluding contract or temporary employees) and paying the following wages in Elizabethtown in accordance with the following schedule:

Compliance Date	Full-time Jobs Required	Job Type	Average Wage Required	Average Wage Type
December 30, 2025	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
December 30, 2026	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
December 30, 2027	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
December 30, 2028	147	Create	\$32.50	Total Hourly Compensation (includes benefits)

\* Compliance periods will be annually and first compliance period may be accelerated. Subsequent compliance periods will be adjusted if acceleration occurs.

Secretary Holly M. Johnson  
December 16, 2021  
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Under the terms of the EDF grant agreement, disbursement of grant funds will occur after the annual compliance reporting has occurred. The amount of the disbursements will be based on the performance requirements achieved. If Kruger Packaging (USA) LLC fails to create or maintain the job target as of each compliance date, then the amount of the grant payable after each compliance measurement date will be reduced by the sum of \$170 for each new, full-time job not created or maintained by the company at each of the four annual measurement dates. Furthermore, if Kruger Packaging (USA) LLC fails to pay these new jobs the average hourly wage of \$32.50, including benefits, the amount of the grant payable after each compliance measurement date will be reduced by a pro rata portion of the EDF grant based on a formula to be outlined in the EDF grant agreement.

Any funds repaid to the City of Elizabethtown by Kruger Packaging (USA) LLC must be used for economic development purposes as approved by the Cabinet for Economic Development. In no event will the repayment of EDF grant proceeds exceed the EDF grant amount of \$100,000.

I respectfully request your concurrence in the funding of this project. If KEDFA approves this proposal, I would ask that you place this project on the next agenda of the State Property and Buildings Commission. Please feel free to contact me if you have any questions.

Sincerely,

  
Lanta Hayes  
Interim Secretary

AGREED TO AND APPROVED BY:

  
Secretary, Finance and Administration Cabinet    Date

cc:    Jeff Taylor  
       Kristina Slattery  
       Katie Smith

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY  
ECONOMIC DEVELOPMENT FUND (EDF) PROJECT REPORT**

**Date:** December 9, 2021  
**Grantee:** City of Elizabethtown  
**Beneficiary:** Kruger Packaging (USA) LLC  
**City:** Elizabethtown **County:** Hardin  
**Activity:** Service & Technology  
**Bus. Dev. Contact:** E. Bishop **OFS Staff:** D. Phillips

**Project Description:** Kruger Inc. has built a solid reputation in traditional industry sectors like pulp and paper, containerboard and packaging solutions with 19 manufacturing and production operations across 10 sectors and 5,000 employees. Its subsidiary, Kruger Packaging (USA) LLC, is considering the establishment of its first corrugated box plant in the United States (U.S.). The proposed plant is expected to serve future and existing clients located across the Midwest, Northeast and Southern U.S.

**Anticipated Project Investment - Owned**

Land  
 Building/Improvements  
 Equipment  
 Other Start-up Costs  
**TOTAL**

Total Investment
\$1,151,200
\$45,321,796
\$67,587,792
\$169,989
<b>\$114,230,777</b>

**Anticipated Project Funding**

Economic Development Fund Grant (State)  
 Bank Loan  
 Local Grant  
 Company Equity  
 Other  
**TOTAL**

Amount	% of Total
\$100,000	0.1%
\$68,308,966	59.8%
\$232,500	0.2%
\$45,539,311	39.9%
\$50,000	0.0%
<b>\$114,230,777</b>	<b>100.0%</b>

**Job and Wage Requirement Table**

Compliance Date	Full-time Jobs Required	Job Type	Average Wage Required	Average Wage Type
12/31/2025	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
12/31/2026	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
12/31/2027	147	Create	\$32.50	Total Hourly Compensation (includes benefits)
12/31/2028	147	Create	\$32.50	Total Hourly Compensation (includes benefits)

\* Compliance periods will be annually and first compliance period may be accelerated. Subsequent compliance periods will be adjusted if acceleration occurs.

**Collateral Required:** Not applicable - Grant is performance-based and disbursement will not occur until after annual compliance is confirmed.

**Job Penalty Provision:** \$170 per job not created or maintained

**Wage Penalty Provision:** pro rata portion of EDF grant based on a formula outlined in the EDF grant agreement

**Disbursement:** Disbursement of grant funds may occur after each annual compliance period when requirements have been reviewed by the Cabinet. Funds will flow through the Grantee/local government entity to the Beneficiary/company.

12/31/2025	\$25,000
12/31/2026	\$25,000
12/31/2027	\$25,000
12/31/2028	\$25,000

**Other Terms:** None

**RECOMMENDED ECONOMIC DEVELOPMENT FUND AMOUNT:**

**\$100,000**

**Ownership (20% or more):**

Joseph Kruger, II - Montreal QC

**Active State Participation at the Project Site:**

<u>Date</u>	<u>Program</u>	<u>Status</u>	<u>Amount</u>
May 27, 2021	KBI	Approve-Prelim	\$3,450,000
May 27, 2021	KEIA	Approve-Final	\$1,580,000

**Unemployment Rate:**

County: 3.9%

Kentucky: 3.9%

**Recommendation:**

Staff recommends approval of this EDF grant subject to the terms set forth in this report and the recommendation letter from the Secretary of the Cabinet for Economic Development (CED). In accordance with KRS 154.12-100, KEDFA's approval of this EDF grant is subject to CED's receipt of the Secretary of the Finance and Administration Cabinet's concurrence to CED's use of the EDF funds for this project.