

KENTUCKY HIGHLANDS EMPOWERMENT ZONE

A COMMON BELIEF THAT PROGRESS IS POSSIBLE



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Ten years and counting

The rugged hills of Southeastern Kentucky hold a wealth of beauty in their incredible vistas. But, all too often, they also have left a rugged existence of

economic hardship for the people who call them home.

But residents here knew that the permanency of our beautiful land did not have to translate into permanent hardship for our families.

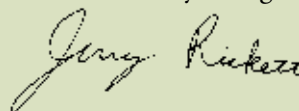
In 1994, the people of Southeastern Kentucky had a vision – increase economic opportunity, improve infrastructure to provide clean drinking water and reliable sewers, elevate the quality of life, and attract more tourism.

Together, we put that vision on paper and were awarded one of only three rural federal empowerment zones. Kentucky Highlands Investment Corporation served as project administrator for Clinton, Jackson and part of Wayne County as they were awarded \$40 million over a 10-year period with the opportunity to make that vision a reality.

Citizens, local government, schools, nonprofits and businesses undertook an unprecedented level of cooperation to determine the best ways to provide a long-lasting impact on their communities.

We came together with a common belief that progress was possible. And those exciting possibilities have turned into economic reality in the last 10 years.

I hope you'll take some time to review the information in this report and see what we've achieved together. The Kentucky Highlands Empowerment Zone beat the odds in a time that included an economic downturn, in an area that some skeptics said couldn't be changed, and in a way that far exceeded the high goals that were set more than 10 years ago.



Jerry Rickett
 President and CEO



Jerry Rickett and Charlene King receive a phone call from President Bill Clinton on Dec. 21, 1994, to congratulate them on being awarded one of only three rural empowerment zones in the country.

Photo by Charles Berram, Lexington Herald-Leader

Historic Phone Call

“We felt like the announcement of the Kentucky Highlands EZ was coming because the White House had asked us to be available. Even with that, when the call came, it was unbelievable. The President of the United States was on the phone talking to us about our communities. I was overwhelmed.”

“At first, we felt like the dog that had caught the car. The EZ project was so big and now that we had it, what were going to do with it. But there has been real change for the good in the community – lots of jobs, a new hospital, emergency services and education improvements. It has been an unbelievable opportunity that few communities ever get to experience.”

Charlene King
 First Chair, KHEZ Steering Committee

Empowerment Zone exceeds goals, outpaces state and federal economy

Like so much of the region, Clinton, Jackson and Wayne counties faced big obstacles and bleak outlooks.

Visitors who toured the area in the mid-1990s would have seen majestic hilltops and scenic vistas. But the beauty of the area's topography masked the challenges it created – remote locations, a lack of infrastructure, inadequate resources for education. All of those problems made job creation an uphill battle.

Important economic indicators were much worse than state and national averages – an unemployment rate of 9.3 percent, a poverty rate of 38 percent, an average annual wage of \$15,000, a per capita personal income less than \$12,000 and population where less than 43 percent of those age 25 and older had a high school diploma or GED.

In December 1994, the Kentucky Highlands Empowerment Zone became one of only three rural empowerment zones in the country. The program would mean \$40 million of government funding over a 10-year period. And, residents would have a important voice in how that money was allocated to make the communities a better place to work and live.

Turning stumbling blocks into stepping stones

Today, the beauty remains, but quality of life has improved as well. People have new jobs or better employment, rely less on government assistance and are better educated. Perhaps the most telling change that the area has experienced is population growth for the first time in 50 years.

People vote with their feet, and they like what they see in the EZ. From 1994 to 2004, while many counties in the region experienced decreases in population, KHEZ grew by 7.9 percent – far outpacing the 3.2 percent growth rate for the state.

Here's a quick tour of just some of the changes that have occurred in the 10 years of the EZ's existence:

- From 1994 to 2004, unemployment rates dropped by 32.8 percent, compared to a decrease of 5.4 percent for the state and a 1.9 percent national increase.
- There was a 29.5 percent increase in people who have at least a high school diploma or

- GED, compared to a 21.2 percent increase in Kentucky and a U.S. increase of 6.9 percent;
- From 1990 to 2000, the poverty rate decreased by 31.1 percent, compared to a drop of 16.8 percent in Kentucky and a 5.3 percent decline nationally;
- The average wage per job increased 38.3 percent and gross income rose 35.1 percent – both are higher than state and national average increases; and
- The average number of aid to needy family cases dropped by 69.4 percent, and the amount of payments decreased by 71 percent.

Those are the statistics. But those results didn't just happen. It took strategic planning, community input and public-private collaborations in several key areas to cause those improvements.

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KHEZ success exceeded goals

<i>Stated goal in KHEZ strategic plan</i>	<i>Success 10-years later</i>
Create 3,000 new permanent jobs through EZ funding	3,658 new jobs through EZ funding and 6,153 new jobs total during that time
Attract \$70.4 million in matching funds	\$222 million in private and public sector investment – triple the goal
Use Developmental Venture Capital Fund to invest \$11 million in local businesses	More than \$11.8 million invested with an additional \$10.4 million in repayments being relent and in use in the Zone
Increase access to the arts	New theaters in Jackson and Clinton counties with a new community center in Wayne County
Improve infrastructure	New water and/or sewer treatment plants and lines in all communities plus more than \$30 million in utilities upgrades, including the first natural gas system in Jackson County
Establish a loan fund for farmers	The Alternative Crop Fund and the Production Loan Fund have provided more than \$1 million in loans to more than 200 EZ farmers
Upgrade emergency services	New ambulances, rescue equipment and fire equipment in all counties with the first 911-system in Clinton County
Expand educational opportunities	New post-secondary schools and vocational schools in Clinton and Jackson counties, including the first ever college courses in Clinton County
Formulate downtown improvement plans	Downtown revitalization programs in Albany, McKee and Monticello, including more than \$2 million in public improvements to date

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Jobs

The most significant factor in the improved quality of life has been the 39.8 percent increase in the number of jobs – 6,153 since the EZ designation in December 1994. The key contributor to this job growth has been the KHEZ Development Venture Fund. In 10 years, the fund approved 74 loans and investments in 45 business ventures.

As a direct result, 3,658 jobs were created, which exceeds the 10-year goal of the zone by 20 percent. In fact, one of every four households in the EZ has a family member employed at a business related to EZ activities.

The fund invested more than \$33.7 million in area businesses, which includes more than \$12.8 million in repaid loan funds. In addition, it leveraged more than \$122 million in private investment.

Education and training

In addition to a strategy to solve the immediate need for jobs, KHEZ emphasized skills training so zone residents can improve their earning potential and enter the workforce at a higher level. That emphasis will benefit generations to come.

More than \$10 million was invested to build new schools in Jackson and Clinton counties.

The Jackson County Area Technology Center opened in 2002 with a focus on vocational training for high school youths. The EZ contributed \$575,000 to the school to construct a 475-seat community theater as part of the project.

The 21st Century Learning Center opened the same year in Clinton County and includes a new public library. Initially the focus of the center was higher education, with more than 70 classes were being offered by Western Kentucky University, Campbellsville University and Somerset Community College.

However, with the opening of the new KCTCS campus in 2004, the center shifted to providing education opportunities through the local school system. In 2006, the Clinton County Schools began planning a major expansion to include new classrooms, a gymnasium and a cafeteria.

Today, opportunity can be found in their hometowns. The EZ has built a strong foundation, and investment will continue for years to come in Clinton, Jackson and Wayne counties.



The Jackson County Community Theater, which was funded with \$575,000 from the EZ, was built as part of the new Jackson County Area Technology Center.



More than \$6 million of EZ funds have been invested in improving infrastructure, and an additional \$50 million was leveraged from other sources.

In addition, the Empowerment Zone provided more than \$1.5 million to establish job training centers for residents in Wayne and Jackson counties who are disadvantaged or disabled. The Arvel Evans Scholarship Fund was also created in Jackson County to provide assistance to graduating seniors with the post-secondary education.

Infrastructure

More than \$6 million of EZ funds has been invested in improving infrastructure, and an additional \$50 million was leveraged from other sources. There are new and expanded water and wastewater plants in each of the counties, with service line extensions constructed throughout the communities.

Important examples of the impact of this infrastructure investment is evidenced by the more than 98 percent of zone residents in Wayne County who now have access to water, and the creation of the first residential natural gas system for Jackson County.

As a result of the investment by the KHEZ and partners at the U.S. Department of Agriculture - Rural Development, EZ residents have access to infrastructure rarely found in rural areas.

A brighter future in their hometowns

Kentuckians are noted for their sense of place – they have a deep bond to the land on which they were raised, the land that their parents and grandparents called home. But, all too often, they faced the choice of whether to uproot their families for economic opportunity or remain tied to a land that yielded no jobs.

Today, opportunity can be found in their hometowns. The EZ has built a strong foundation, and investment will continue for years to come in Clinton, Jackson and Wayne counties.

Kentucky Highlands Empowerment Zone Analysis of EZ Requests by Benchmark

May 3, 1995 to May 31, 2006

Benchmark	Project Description	Total Budget	Invested to Date	Percent Invested
1	Developmental Venture Fund	\$11,000,000	\$11,000,000	100%
2	Clinton County Industrial Park	\$1,200,000	\$1,200,000	100%
3	Wayne County Industrial Park	\$1,101,043	\$1,101,043	100%
4	Jackson County Industrial Park/Spec Building	\$1,000,000	\$1,000,000	100%
5	Project Administration			
	1. KHIC	\$2,000,000	\$2,000,000	100%
	2. Jackson County	\$1,000,000	\$1,000,000	100%
	3. Clinton County	\$698,500	\$604,065	86.5%
	4. Wayne County	<u>\$751,500</u>	<u>\$751,500</u>	<u>100%</u>
	Total – Benchmark	\$4,450,000	\$4,355,565	97.9%
6	Alternative Crop Fund Principal Repayments Used	\$300,000	<u>\$300,000</u> \$76,266	100%
7	Production Loan Fund/ Cumberland Farms LOC Principal Repayments Used	\$1,000,000	<u>\$1,000,000</u> \$237,405	100%
8	Jackson County Workshop	\$650,000	\$650,000	100%
9	Jackson County Entrepreneurship Training	\$700,000	\$700,000	100%
10	Clinton County 21 st Century Learning Center	\$3,409,619	\$3,409,619	100%
11	Clinton County Revolving Loan Fund	\$916,190	\$916,190	100%
12	Wayne County Revolving Loan Fund	\$150,000	\$150,000	100%
13	Home Keyer Program		Inactive	
14	Mountain Ventures, Inc.	\$2,000,000	\$2,000,000	100%
15	Albany Downtown Revitalization	\$273,644	\$273,644	100%
16	McKee Downtown Revitalization	\$251,598	\$251,598	100%
17	Annville Downtown Revitalization	\$148,970	\$148,970	100%
18	Clinton County Airport		Inactive	
19	Jackson County Reservoir	\$5,000,000	\$1,131,356	22.6%
20	Clinton County Water System	\$529,785	\$529,785	100%
21	Wayne County Water System	\$500,000	\$500,000	100%
22	Clinton County Fire Protection	\$473,000	\$473,000	100%
23	Wayne County Fire Protection	\$400,000	\$400,000	100%
24	Jackson County Community Center	\$575,000	\$575,000	100%
25	Wayne County Youth Center	\$1,800,000	\$1,800,000	100%
26	Clinton County Ambulance	\$99,621	\$99,621	100%
27	Wayne County Ambulance	\$100,000	\$100,000	100%

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**Kentucky Highlands Empowerment Zone
Analysis of EZ Requests by Benchmark
May 3, 1995 to May 31, 2006**

28	Clinton County Parks	\$50,000	\$50,000	100%
29	Clinton County Recycling Project		Inactive	
30	Clinton County Comprehensive Plan		Inactive	
31	Foothills Academy	\$350,000	\$350,000	100%
32	Wayne County Employment Center	\$200,000	\$200,000	100%
33	Wayne County Spec Building	\$327,472	\$327,472	100%
34	Clinton/Wayne Recycling Project	\$72,528	\$72,528	100%
35	Clinton County Exhibition Hall	\$88,954	\$88,954	100%
36	Clinton County VFW Baseball Lighting	\$24,000	\$24,000	100%
37	Clinton County Emergency Services Building	\$583,876	\$583,876	100%
38	Jackson County Scholarship Fund	\$6,000	\$6,000	100%
39	Jackson County Home Buyer Fund		Inactive	
40	Jackson County Daycare Training Program	\$30,600	\$30,600	100%
41	Jackson County Vocational School Land	\$10,800	\$10,800	100%
42	Jackson County Ambulance	\$91,300	\$91,300	100%
43	Jackson County Health Department	\$20,800	\$20,800	100%
44	Jackson County Rescue Squad	\$5,888	\$5,888	100%
45	Jackson County – Worthington Park	\$6,000	\$6,000	100%
46	Jackson County – Veteran’s Park	\$6,000	\$6,000	100%
47	Sandgap Volunteer Fire Department	\$5,000	\$5,000	100%
48	Kiwanis Club Memorial Park	\$6,000	\$6,000	100%
49	Jackson County Public Library	\$46,564	\$46,564	100%
50	JCRI, Inc. Equipment	\$5,000	\$5,000	100%
51	Northern Jackson County Strategic Plan	\$5,000	\$5,000	100%
52	Jackson County Food Bank	\$5,000	\$5,000	100%
53	Victory Tabernacle Food Bank	\$5,000	\$5,000	100%
54	Annville Playground Equipment	\$5,000	\$5,000	100%
55	McKee Elementary Playground Equipment	\$4,500	\$4,500	100%
56	Jackson County Senior Citizens – Meals on Wheels	\$10,248	\$10,248	100%
Total		\$40,000,000	\$36,036,921	90.1%

Jobs, Jobs, Jobs

Economic development in EZ exceeds ambitious goals

When the strategic plan for the Kentucky Highlands Investment Zone was crafted in the summer of 1994, the EZ envisioned an ambitious 10-year goal.

That goal was so important that it was the only statement in the entire 164-page document that was both underlined and listed in bold type. Jobs – in fact, 3,000 new jobs – were to be created in the EZ over 10 years.

That lofty goal was exceeded by 20 percent through key strategic planning and initiatives.

Development Venture Capital Fund fuels thousands of new jobs

Without capital, new business opportunities never become reality. That's why the cornerstone of job creation in the EZ was the creation of the Development Venture Capital Fund.

Small businesses create a large percentage of economic growth, but they often have difficulty securing loans because they are considered risky. Through its fund, KHEZ has been able to invest in businesses that are unable to secure loans through other sources.

And the investment has paid off. More than 3,600 new jobs were created as a result. Another \$120 million in private investment also has been made into those ventures, and \$122 million in public funds were leveraged. Those totals more than triple the original goal for leveraged investments.

This program set KHEZ apart from Empowerment Zone efforts in other parts of the country. It also distinguished the KHEZ by creating a sustainable resource that will benefit the communities for years to come.

Part of what has made the fund successful was the assistance provided to these new and expanding companies. In conjunction with local Empowerment Zone coordinators, Kentucky Highlands worked to prepare companies' business plans and help them secure funding, which then was used to provide needed debt and working capital financing, underwrite other lenders or support investors.

From loans for a six-person engineering firm in Jackson County to poultry processing plant in Clinton County that employs 1,600 people, the development venture fund was the critical component in helping the EZ reduce its unemployment by 31 percent during its first 10 years of operation.

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Mid-South Electronics started by Annville native

Like so many residents of the area, Jerry Weaver moved away to find work. But he never forgot Jackson County – its hard-working people and its potential for manufacturing. It was a potential not seen by many entrepreneurs outside the region.

Weaver, a graduate of the Annville Institute, returned to Kentucky and built a manufacturing plant in Clay County. After a fire destroyed the facility, he rebuilt Mid-South Electronics (then called Mid-South Electrics) in Annville in 1987. It quickly became one of the area's largest employers.

"Years ago, when the industrial base of the country was in the North and Midwest, the labor force for those companies came from the Appalachian regions," Weaver said. "Those workers and their work ethic caused the country to excel. Kentuckians were in the frame of mind that 'we have to leave here to get work.' And they did.

"Now, large companies need to be more open minded. The workers are here. The same kind of workers that caused the companies in the North and the Midwest to boom are here in Appalachia. They're here in Kentucky. We just need to bring the jobs to them."

As a subsidiary of Mid-South Industries, based in Alabama, the Annville plant was the primary location for assembly of printed circuit boards and plastic injection molding used for ice and water dispensers in home refrigerators. Its national customer base includes Electrolux, General Electric, Lexmark and Motorola.

The company also has moved into the homeland security arena, manufacturing high-tech explosive screening systems for small- and medium-size airports.

In the late 1990s, Mid-South built a 50,000 square-foot addition to its existing 150,000-square-foot plant and purchased injection molding and electronic assembly equipment. A \$5 million loan from the KHEZ Development Venture Fund helped make the expansion possible and increased its workforce to more than 700 residents.

Less than a year after the expansion was completed, the facility then drew national attention with a visit from President Bill Clinton in 1999. He was so impressed with the economic growth in the Empowerment Zone that he kicked off the announcement of a national initiative here.

President Clinton, several of his cabinet secretaries, Rev. Jesse Jackson and other national dignitaries and media from across the country toured the facility. Mid-South exemplified the type of investment and the economic development that could result from business located in areas of the country that had been economically disadvantaged.

Editor's note: In January 2005, fire destroyed the main factory building housing Jackson County's largest private employer. No one was injured in the blaze that gutted Mid-South Electronics. Officials shut down nearby Ky. 30 and evacuated people who lived within a mile of the plant. Kentucky Highlands Investment Corporation prepared and submitted a \$7.75 million tax credit package to the Kentucky Economic Development Cabinet, which approved the application. It also arranged and provided more than \$7 million in financing for the reopening. In less than four weeks, the company was able to call back more than 600 employees back to work. Setbacks from the fire, as well as Electrolux's move off-shore, may reduce current number of employees by late 2006.



Photo by David Stephenson, Lexington Herald Leader
President Bill Clinton tours Mid-South Electronics with Annville native Jerry Weaver. At its peak, Mid-South employed more than 700 residents.

Defending the Homeland

LaCrosse Enclosures, Patriot Industries, Specialty Defense Systems, Phillips Diversified Manufacturing, Mid-South Electronics and Phoenix Manufacturing – these companies are seemingly unrelated.

But, located in three different EZ counties hundreds of miles apart, they have something important in common.

When the Kentucky Highlands EZ was announced in 1994, only one of these businesses even existed within the EZ. Today, these companies form the core of a growing sector supporting the nation's homeland security and defense strategy.



Luggage scanners made at Mid-South Electronics help improve airport security.

It began with JCRI, Inc., a rehabilitation workshop formed by the EZ and now part of Mid-South Electronics. In 2001, the company was awarded a contract by L-3 Communications to make components for luggage scanners used at airports.

Only five years later, a significant economic sector has developed, and EZ companies have approximately \$50 million in homeland security and defense work under contract.

Specialty Defense Systems, the first new company to locate in the EZ, has become the major supplier to the U.S. Marine Corps and U.S. Army for the MOLLE backpack. Developed by the company in cooperation with Natick Laboratories, the backpack is standard issue to all personnel in each of the military branches. Employing 250 residents at its two plants in McKee, Specialty Defense Systems is one example of the highest quality product in the world being produced in the EZ.



Photo by Bill Farney

Employees at Phillips Diversified Manufacturing make plastic injection molded components for the homeland security industry and others.

LaCrosse Enclosures and Patriot Industries have proven their abilities and grown so that each company now has plants in both Wayne and Clinton counties. The two companies, with combined employment of more than 300, manufacture a variety of products for the U.S. Navy, Coast Guard, Army and Marine Corps.

Supporting the homeland security efforts of the nation is Mid-South Electronics. The company is producing an explosive detection scanner through a contract with Reveal Imaging Technologies. The CT-80 scanner assembled by Mid-South Electronics is considered the next generation product in baggage screening for airports, cruise ships and trains.

Mid-South Electronics has dedicated an entire plant to its final assembly. Certified by the Transportation Security Administration, the scanner is a highly complex product that demonstrates the technical skills of EZ residents.

Less than a decade ago, it was unimaginable that businesses within the EZ would be viable on a national level in helping meet the country's homeland security and defense needs. But thanks to visionary entrepreneurs and a dedicated workforce, companies in the EZ have risen to the top and are recognized as important components in these efforts.

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Awakening the entrepreneurial spirit

Of the 78 investments approved through the fund, 64 loans were made to locally owned enterprises. And more than 70 percent of these have been start-up ventures.

Unlike urban areas, families in rural communities often have income from more than a single source. Small businesses often supplement wages earned by rural families.

The EZ sparked an entrepreneurial spirit through the venture fund and other programs, such as:

- The Jackson County Entrepreneurial Training Center, which was funded with a 10-year, \$700,000 grant. It held 12-week training classes in small business management, marketing and sales, business planning and business implementation. The center has helped 58 new businesses begin operation.
- Two types of agriculture loans provided financing for more than 250 Zone farmers. One is a Production Loan Fund, which made low-interest financing available, up to \$50,000, for farm-related equipment, working capital and livestock. In addition, the Alternative Crop fund provided forgivable loans of up to \$5,000 for farmers to try crops they hadn't grown in the past.

Success attracts presidential attention

The success of the fund and other economic development initiatives attracted national attention. In 1999, President Bill Clinton visited Jackson County. It was the first time in 35 years that an American president visited the Appalachian region of Kentucky.

President Clinton chose Jackson County as a key stop on the first day of a four-day tour to draw national attention to a program to create economic investment in areas that have been overlooked traditionally.

Thousands lined Highway 30 to greet the President as he traveled from the Annville Stop-N-Go to the Annville Auto Mart, then on to a tour of Mid-South Electronics.

The visit by President Clinton showed the nation that the residents of Clinton, Jackson and Wayne counties

had achieved inarguable success because of Empowerment Zone funding and that even greater success would be possible with increased investment in the area.



Photo by David Stephenson, Lexington Herald-Leader

The success of the EZ led President Bill Clinton to be the first president to visit the Appalachian region of Kentucky in 35 years.

**Kentucky Highlands Empowerment Zone
Development Venture Fund Summary**
May 3, 1995 to May 31, 2006

Company	KHEZ Loan Amount	Other Funds	Jobs Created
Specialty Defense Systems – Plant 1 McKee, Kentucky (Jackson)	\$595,000	\$1,500,000	175
Specialty Defense Systems – Plant 2 McKee, Kentucky (Jackson)	\$1,350,000	\$1,100,000	79
Snow Pallet, Inc. Albany, Kentucky (Clinton)	\$72,000 \$150,000 Line of Credit	\$150,400	0
Fantasy Custom Yachts Monticello, Kentucky (Wayne)	\$430,000	\$1,436,000	100
Fantasy Custom Yachts – Expansion 1 Monticello, Kentucky (Wayne)	\$85,000	\$202,000	
Fantasy Custom Yachts – Expansion 2 Monticello, Kentucky (Wayne)	\$400,000	\$500,000	
Fantasy Custom Yachts – Expansion 3 Monticello, Kentucky (Wayne)	\$200,200	\$1,799,800	
BMA Manufacturing, Inc. Monticello, Kentucky (Wayne)	\$375,000 \$100,000 Line of Credit	\$200,000	
Cagle’s – Keystone Foods, LLC Albany, Kentucky (Clinton)	\$1,000,000	\$75,000,000	1,600
Albany Water Expansion (Cagle’s) Albany, Kentucky (Clinton)	\$2,000,000	\$5,100,000	
Thoroughbred Cruisers, Inc. Albany, Kentucky (Clinton)	\$85,000	\$375,000	80
JC Tech Industries, Inc. Annville, Kentucky (Jackson)	\$100,000	\$400,000	32
Flat Rock Furniture, Inc. Tyner, Kentucky (Jackson)	\$100,000 Equipment \$300,000 Working Capital \$450,000 Building \$500,000 Working Capital \$100,000 Building	\$350,000 \$150,000 \$100,000 \$50,000	42
Clinton County Concrete, Inc. Albany, Kentucky (Clinton)	\$70,000 \$95,000	\$142,012	6
Appalachian Federal Credit Union McKee, Kentucky (Jackson)	\$190,000 Operating Grant \$100,000 Sec. Mkt. Loan	\$500,000	3 Plus 1,300 members
Appalachian Federal Credit Union Monticello, Kentucky (Wayne/Clinton)	\$200,000 Sec. Mkt. Loan	\$700,000	3 Plus 900 members

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Kentucky Highlands Empowerment Zone Development Venture Fund Summary

May 3, 1995 to May 31, 2006

Company	KHEZ Loan Amount	Other Funds	Jobs Created
JCRI, Inc. Annville, Kentucky (Jackson)	\$1,968,000	\$1,175,000	
American Woodmark Corporation Monticello, Kentucky (Wayne)	\$250,000	\$6,000,000	150
American Woodmark Corp. - Expansion Monticello, Kentucky (Wayne)	\$250,000	\$8,000,000	375
Mid-South Electronics, Inc. Annville, Kentucky (Jackson)	\$725,000	\$1,025,000	140
Mid-South Electronics, Inc. – Expansion 1 Annville, Kentucky (Jackson)	\$2,840,000	\$2,700,000	100
Mid-South Electronics, Inc. – Expansion 2 Annville, Kentucky (Jackson)	\$1,748,000	\$400,000	60
Mid-South Electronics, Inc. – Rebuilding Annville, Kentucky (Jackson)	\$2,300,000 Building \$2,750,000 Equipment \$1,188,104 Building \$800,000 Working Capital	\$3,000,000	155
Phillips Diversified Manufacturing, Inc. Annville, Kentucky (Jackson)	\$400,000 Building \$800,000 Working Capital	\$1,100,000	53
Phillips Diversified Mfg. – Expansions Annville, Kentucky (Jackson)	\$475,000	\$950,000	145
Image Entry Annville, Kentucky (Jackson)	\$220,000	\$750,000	48
Image Entry Monticello, Kentucky (Wayne)	\$580,000	\$150,000	75
Image Entry – Expansion Monticello, Kentucky (Wayne)	\$290,000	\$150,000	75
Stonewall Jackson Molding, Inc. Annville, Kentucky (Jackson)	\$250,000 Building \$100,000 Equipment \$20,000 Equity	\$850,000	14
Denny Dozer Services, Inc. Albany, Kentucky (Clinton)	\$132,895	\$35,000	3
Flowers Aluminum, Inc. Albany, Kentucky (Clinton)	\$149,937	\$81,000	7
McWhorter Implement, Inc. Albany, Kentucky (Clinton)	\$146,847	\$102,000	7
Wisdom Dock Fish Camp, Inc. Albany, Kentucky (Clinton)	\$844,143 New Dock \$250,000 Houseboat \$250,000 Houseboat	\$2,000,000 \$64,000 \$50,000	30 15

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Kentucky Highlands Empowerment Zone Development Venture Fund Summary

May 3, 1995 to May 31, 2006

Company	KHEZ Loan Amount	Other Funds	Jobs Created
Gruen-Wald Laminated Timbers, Inc. Monticello, Kentucky (Wayne)	\$392,202 Equipment \$150,000 Working Capital	\$1,060,000	12
Holiday Mansion International, Inc. Albany, Kentucky (Clinton)	\$400,000	\$1,050,000	
Eagle Net USA, Inc. Sand Gap, Kentucky (Jackson)	\$250,00	\$1,000,000	
Surgical Specialties, PSC Albany, Kentucky (Clinton)	\$117,000 Equipment \$15,000 Equipment \$850,000 New Office Bldg.	\$103,000	10
Ampyss Healthcare Solutions, Inc. Albany, Kentucky (Clinton)	\$400,000		9
Foothills Academy, Inc. Albany, Kentucky (Clinton)	\$135,000	\$750,000	91
EMR Engineering, Inc. Annville, Kentucky (Jackson)	\$20,000	\$32,000	6
RME Real Estate, Inc. Annville, Kentucky (Jackson)	\$60,000	\$115,000	
Foothills Country Meats, Inc. Monticello, Kentucky (Wayne)	\$300,000	\$300,000	10
Clinton County IDA (Vanderbilt Yachts) Albany, Kentucky (Clinton)	\$100,000	\$450,000	
LaCrosse Enclosures, Inc. Albany, Kentucky (Clinton)	\$600,000	\$1,000,000	30
Jackson County IDA (Spec Building) Annville, Kentucky (Jackson)	\$210,000	\$500,000	
Vanderbilt Yachts, Inc. Albany, Kentucky (Clinton)	\$85,893	\$500,000	6
Twin Lakes MRI Albany, Kentucky (Clinton)	\$200,000	\$1,200,000	4
Thomas Howard, LLC Albany, Kentucky (Clinton)	\$200,000	\$200,000	2
CertaCare, Inc. Albany, Kentucky (Clinton)	\$400,000	\$50,000	3
Brown Medical Practice Albany, Kentucky (Clinton)	\$144,021	\$35,000	3
TOTAL	\$33,741,242	\$126,682,212	3,658



Photo by Bill Fortney

The 21st Century Learning Center was created because Clinton Countians recognize the need to prepare residents for high-tech, knowledge-based jobs.

Quality of life makes great strides

Improved quality of life was one of the four benchmarks of the Empowerment Zone. From recruitment of new jobs to higher standard of living to fewer people on government assistance, the Zone has proven its success.

But the accomplishments are more than economic – they improve health care, enrich community living and bolster learning. Following are several examples of the many ways the EZ has touched the lives of its residents.

Health care

Two major expansions at the Clinton County Hospital have resulted in \$6 million in improvements to its facility. The hospital now boasts a new emergency room, diagnostic facilities, patient rooms and a surgery wing that includes two operating rooms and state-of-the-art support facilities.

That means residents now can have surgery without leaving the county. In addition, families no longer have to go outside the county to see a pediatrician. State-of-the-art MRI equipment has resolved a five-month backlog in testing. All of these needs have been filled because of financing through the EZ.

New fire equipment and ambulances also were purchased for Clinton County. Importantly, the county established a 911-system using EZ funds, was able to secure a base for an air evacuation helicopter and constructed a new emergency services building. Clinton County invested almost \$1 million of EZ funds to upgrade emergency preparedness.

The Wayne County Hospital also completed several multi-million dollar expansions using USDA-EZ set-aside funds. In support of this effort, the Wayne County EZ invested \$500,000 in emergency services, including a fleet of new ambulances.

Community facilities

New community facilities throughout the EZ provide much-needed educational and recreational opportunities for all ages.

Clinton County residents recognized that preparation for high-tech, knowledge-based jobs of the 21st century requires new and advanced learning and skills. Children must start early in this process, and adults must be retrained to compete in a global economy.

Thanks to the EZ's 21st Century Learning Center, residents can make one convenient stop to prepare for the future. Initially offering college and graduate level classes to Clinton County residents for the first time through Western Kentucky University, Campbellsville University and Somerset Community College, the center now focuses on primary education thanks to a new KCTCS campus in the community. A major expansion of the center is planned for 2006.

Meanwhile, in Wayne County, young people now have an after-school alternative. The EZ-funded ASPIRE Center provides recreational, educational and supervised social activities.

ASPIRE holds social events, such as back-to-school cookouts, dances and concerts. The Youth Advisory Board helps encourage involvement and incorporates youths' ideas for future activities.

After-school programs include tutoring by retired teachers as well as arts and crafts activities. Youth also have the opportunity to swim in the new pool or participate in basketball and soccer leagues.

They also can volunteer through community service and mentoring programs called Community Kids.

But the center isn't just for youth. Seniors enjoy walking on the indoor track, and ASPIRE offers programs for adults of all ages. And everyone can take pleasure in the first-ever public swimming pool on a hot summer day.

In Jackson County, residents can visit the Jackson County Telecommunications Center, which includes video conferencing facilities, networked computer stations and free Internet access. Eastern Kentucky University also offers courses through a video link. Located in the EZ-funded theater complex at the new vocational school, the Telecommunications Center has eliminated the physical barriers that used to constrain Jackson County residents.

Downtown McKee has been brightened by the new Jackson County Public Library. Opened in 2006, the EZ provided \$45,000 in seed money in order to secure \$700,000 in matching funds for a new building and equipment upgrades.

The community is also benefiting from new ambulances, fire equipment and rescue equipment, which was funded with more than \$150,000 from the EZ program.

Giving troubled youth a second chance

The land and the youth who live on it have been given a new beginning.

The property was once the largest underground chamber for marijuana production ever discovered in the United States.

The teens who now live there were troubled youths who found themselves in court, often after being neglected, ignored or abused.

Foothills Academy brought them together for a fresh start.

It all started in 1995, when Jeff Choate, then the district judge for Clinton, Russell and Wayne counties, realized he had no place to house juveniles that came to his court from abusive situations. The idea of a group home was born. It would be housed in Clinton County, run privately by a local nonprofit board and supported through a contract with the Kentucky Cabinet for Families and Children as well as the Kentucky Department for Juvenile Justice. In 1999, a drug bust on 45-acres of property outside of Albany resulted in that property being turned over to the commonwealth.

It is now home to Foothills Academy, a residential community for boys ages 12 to 17. It provides

housing as well as academic, vocational and life skills training for up to 72 youths who were runaways, came from abusive homes or were somehow brought before the court.

The academy, which

employees 90 people, provides onsite teachers. Funding was provided through Kentucky Highlands Investment Corporation, the EZ's Development Venture Fund, the Federal Home Loan Bank of Cincinnati, the Clinton County EZ Community and USDA Rural Development.

Rolling pastures, plank fencing and wooded areas serve as the landscape around Foothills Academy – a safe setting that provides a life of structure, responsibility and learning. It replaces a life of uncertainty and abuse – giving these youths a chance to become responsible citizens instead of hardened criminals.



The Carol Peterson House on the Foothills Academy campus, named after Carol Peterson, senior vice president, Federal Home Loan Bank of Cincinnati – strong supporter of Foothills Academy. Most of the work was done on the house by the staff and residents of Foothills Academy.



The Annville Child and Family Development Center provides accessible, affordable and innovative child care at the Jackson County Industrial Park.

Child care need fulfilled

The availability of jobs is not the only barrier to employment. A lack of accessible child care is another obstacle. It is especially difficult for workers in rural areas and for people who begin their day at manufacturing jobs before most child-care centers open.

The Annville Child and Family Development Center, which started with EZ funding, solves that problem for workers in the Jackson County Industrial Park. Because it is located within the park and opens at 5:30 a.m., the 8,000 square-foot facility makes child care convenient for workers.

But child care should be more than just accessible. Many children spend 40 hours per week in child care until they reach school age. That adds up to 10,400 hours – or 23 percent – of the first five years of a child's life.

The Annville center recognizes the important role that child care has in the development of our children, so it provides:

- The opportunity for parents to visit their children during the workday;
- Well-equipped rooms;
- A high level of creativity through a variety of children's projects;
- A focus on increasing parental involvement;
- An increased sense of community through family nights and parenting classes; and
- A cheerful atmosphere.

The Annville Child and Family Development Center is an excellent example of the partnerships that have made the KHEZ successful.

Funding was provided by the EZ, local businesses, the Jackson County/McKee Industrial Authority and the U.S. Department of Agriculture – Rural Development. The center is operated by the Christian Appalachian Project, an organization with a history of more than 50 years of service to the community.



Photo by Jamie Hays Ward

Picture really worth a thousand words

Student wins award for photo

This photography initiative was one of the highlights of my high-school career. I took this photo when I was a freshman, and it earned an award – the Arvel Evans Scholarship, which helped with expenses my first year of college.

The photo was taken at McKee Elementary School during recess on the playground. I attended McKee Elementary as a child, so this experience was like watching a movie of my own past. The photography club led us to many places in and out of Jackson County, but visiting the schools were always my favorite trips. I loved school.

We were let loose with our cameras and told to shoot whatever we saw. An award-winning photographer from New York, Stephen Shames, accompanied this particular trip, giving us much advice and feedback.

I feel that this picture captures the true nature of elementary children – their playfulness. This photo reminds me of my own childhood, especially since the photo was taken at my old school. I played on the very same court on which they are standing. I am thankful for my rural Kentucky education; it has made me who I am today. I owe so much to my former teachers, too. This photo really speaks to me as a future teacher.

Jamie Hays Ward
Arvel Evans Scholarship winner
Current student at Berea College



Congressman Hal Rogers and Bill Deaton, founder of Image Entry and president of Senture, LLC attend the dedication of Image Entry in Wayne County. Senture, LLC has recently announced a new facility in Wayne County to open in 2006 with several hundred new jobs.



Expanded water and wastewater treatment facilities are providing potable water throughout the EZ.

Residents now have access to infrastructure rarely found in rural areas

It's easy to spot the new investments in libraries, parks and ambulances.

But when driving by some of the largest projects undertaken by the EZ, residents don't even turn their head. That's because many of the most significant investments by the EZ are invisible.

The hidden assets are underground in the form of new water, sewer and natural gas lines. The Kentucky Highlands Empowerment Zone earmarked more than \$6 million in funds for infrastructure improvements. In turn, the EZ funds have leveraged about \$50 million in infrastructure funds from other sources.

In partnership with USDA – Rural Development, the EZ communities have constructed new and expanded water plants, wastewater treatment plants and miles of lines. More than 98 percent of the residents in the Zone in Wayne County now have potable water thanks to more than \$15 million in investment by the community.

Much of the need for this investment has been driven by the increase in business activity and population growth in the Zone. In another case, it was a decision to take advantage of an asset already in the community.

For many years, a natural gas transmission line has run through Jackson County. However, the line served only seven customers. Thanks to funding from the EZ, a portion of the transmission line was purchased, and the county's first natural gas distribution system was constructed in the Annville community.

During the planning stage of the Kentucky Highlands Empowerment Zone, building a strong foundation was considered essential. As a result of the infrastructure improvements completed over the last 10 years, much of this mission has been realized.

Infrastructure improvements in the EZ

In addition to the millions of dollars invested in Clinton, Jackson and Wayne counties by the KHEZ, more than \$25 million has been provided to the communities for infrastructure by USDA – Rural Development. Among the key projects are:

- Expanded wastewater treatment plants in Albany and Monticello;
- New water treatment plants in Jackson County and Albany;
- More than 200 miles of new water lines in Wayne County;
- The first ever natural gas system in Jackson County;
- More than \$15 million in grant funds from USDA – Rural Development; and
- More than 5,000 new households connected to water lines in the EZ since 1994.



Photo by Bill Forney

A greenhouse is one of the many ways that EZ farmers have used two agriculture loan programs to diversify their family farms.

Two loan programs help farmers

Farmers battle bad news every day – inclement weather, lower crop prices, declining demand.

But Empowerment Zone farmers received some help to alleviate those poor conditions through two loan programs. The Alternative Crop Fund and the Production Loan Fund were created to help wean farmers from a dependency on tobacco and provide much-needed assistance in expanding or diversifying their operations.

More than 250 farmers have participated in the two loan programs.

The Alternative Crop Fund provided up to \$5,000 at zero-percent interest for farmers to experiment with non-tobacco related farming or farming methods that were new to their operation. The goal was to encourage growers to experiment with crops, techniques or livestock production that would expand the farm income in non-traditional methods.

The assistance was especially important for small tobacco farmers, who typically grew 2,000 pounds to 4,000 pounds of tobacco and used the proceeds to supplement their farm incomes or outside jobs.

Because small farm owners don't have a lot of cash on hand, many of them wouldn't have tried a new crop without the EZ program to help them share the risk. The loans were used for everything from ginseng to ostriches to development of a website to sell ornamental trees.

Losses on the loans have been less than 3 percent, which is excellent considering the experimental nature of the program.

The Production Loan Fund worked with banks to provide half of a farm loan, up to \$50,000, at a fixed interest rate. Farmers could use the loan for farm-related equipment, working capital and livestock. More than 60 loans have been made through the Production Loan Fund. The default rate has been less than 1 percent.

County extension agents and banks within the Empowerment Zone provided farmers with information on how to apply.

Small loans make big difference for Zone families

Bad credit, no credit, no problem! That's what the slick radio ads promise to people who are down on their luck and in need of a little cash to pay the bills. What the ads don't say is those loans can only be acquired with an outrageous fee for the people who can least afford it.

But EZ residents no longer have to choose between doing without and getting ripped off. A branch of the Appalachian Federal Credit Union opened in McKee in 1996. It has driven predatory lenders away from Jackson County and brought affordable financing to those most in need.

A second branch, which opened in Monticello in 2004, serves residents in Clinton and Wayne counties. The new branch also serves the expanding Spanish-speaking population with its bilingual staff.

The credit union has provided more than 2,200 loans to more than 1,500 members who need help purchasing a home, paying the electric bill, buying school clothes for their children or financing a car so they can get to work.

One of the first members of the Jackson County branch was a self-described "mattress person." She didn't trust banks, so she didn't have any savings and hadn't built up a credit rating. That changed in 1996, when she decided to start saving money for her two daughters.

What began as a small loan to pay for school supplies and clothes enabled her to establish credit. She then was able to borrow money to buy a home.

The credit union averages loans of about \$3,200, but it has made loans as small as \$150 to pay a utility bill and as large as \$81,000 for a real estate purchase.

Many of the borrowers receive public assistance or work at entry-level jobs. However, the credit union also attracts area citizens who have good-paying jobs, public officials and non-profit organizations because they believe in the credit union's mission.

Equity investments and secondary capital investments from the Empowerment Zone helped to establish the credit union. Both branches also received funds from Kentucky Highlands Investment Corporation through a grant from the U.S. Department of Housing and Urban Development.



The Appalachian Federal Credit Union has helped drive predatory lenders away from Jackson, Wayne and Clinton counties.



With a loan from the EZ's Development Venture Fund, Wisdom Dock boasts one of the largest floating restaurants in the area, along with a store, full-service marina and luxury houseboat rental on Dale Hollow Lake.

Recreation projects draw tourists, benefit residents

Tourism was one of the key priorities when the Empowerment Zone set its benchmarks. The goal was to increase economic development by attracting people outside the region and the commonwealth to visit the natural beauty of the area.

But the additional benefit is that residents also have more recreational opportunities close to home. Here are just a few tourism and recreation improvements that have been funded with EZ appropriations:

Wisdom Dock

With a loan from the Development Venture Fund, Wisdom Fishing Camp Company boasts one of the largest floating restaurants in the area.

The facility on Dale Hollow Lake also has a store, a full-service marina and a luxury houseboat rental fleet. Included in the fleet are the first two all-electric houseboats ever on Lake Cumberland.

KHEZ provided \$500,000 in financing for the boats and \$150,000 in working capital for the dock.

A \$3 million expansion in 2001 led to a dramatic and immediate growth in tourism. Wisdom Dock now books about 1,200 to 1,500 reservations per year and employs 65 people during its peak summer season.

But, tourists aren't the only ones who appreciate the expansion. About half the restaurant business comes from area residents, who appreciate having quality food close to home. The restaurant, which seats 100 people, also can be used for meetings.

Downtown revitalization in McKee and Albany

Another important component to the tourism benchmark is downtown revitalization. In Albany, a major effort to beautify downtown is hoped to be completed before the annual Foothills Festival in October 2006. Efforts will include burying utility lines underground and constructing new sidewalks

around the downtown square. Landscaping and streetscaping work also will be done. The KHEZ contributed \$250,000 toward downtown Albany's project, with another \$650,000 coming from the Commonwealth of Kentucky, the city of Albany and South Kentucky RECC.

In McKee, improvements around the downtown courthouse square continue. All new sidewalks, street lights, paving and landscaping have been put in place with the assistance of \$250,000 in EZ funds.

The new public library opened in 2006, thanks in part of \$45,000 from the EZ. A new courthouse is scheduled to begin construction in 2006, and People's Rural Telephone Cooperative is constructing several buildings in downtown.

The physical appearance of McKee has made great strides during the EZ-era.

Recreation improvements throughout the EZ

Recognizing that the future of its communities lie with the young people, each of the KHEZ counties made a commitment to improve recreational facilities.

The largest single project in Wayne County was the \$1.6 million ASPIRE Center. Planned in part by students in the community, the ASPIRE Center includes a gymnasium, activity rooms, indoor and outdoor tracks, and the only public swimming pool in the history of Wayne County.

Upgrading the parks was a priority in Clinton County. Investing more than \$200,000, many improvements, including new lighting and equipment, were made throughout the park system.

In Jackson County, six parks received new playground equipment, and the health department began a wellness program for young people using EZ funds.

One-room schoolhouse provides living history

One-room schoolhouses – once the framework for rural education in Kentucky – now stand empty and neglected throughout the commonwealth.

The Hopkins School in Albany used to be one of those abandoned relics. Now, beautifully restored, the school is open for tours and can be rented for special occasions. Twenty-first century students can visualize how as many as 60 students in eight different grades studied together in a single room.

The Clinton County EZ, in cooperation with the Clinton County Schools and the Kentucky Heritage Council, restored the Hopkins School. The actual classroom setting – complete with original desks, books and outhouses – has been preserved.

Built in the early 1900s and in use until 1961, the school features hand-hewn floors, 12-inch chestnut baseboards and a single wood stove.



EZ funds saved the Hopkins School in Albany, which was built in the early 1900s but had fallen into disrepair.

Median household income grew by 70 percent, compared to 49 percent in Kentucky and 39 percent in the United States.

Population grew by 12.9 percent in the decade to 2000, more than 38 percent larger than the state rate of 9.7 percent.

Percent of persons below poverty decreased by 21 percent, compared to a statewide decrease of 16 percent.

Annual tourism revenue more than doubled from \$850,000 in 1994 to more than \$2 million in 2002.

The number of families receiving public assistance declined by 78 percent to approximately the state rate.



Eric Engell, founder and owner of EMR Engineering in Jackson County

Small family business thrives with boost from Zone

Companies that employ hundreds of people might grab the headlines, but it is the small businesses that fuel our economy.

Recognizing this, KHEZ provides opportunities for small, family-owned businesses as well. EMR, a mechanical engineering firm in Annville, is an example of a thriving new business that was helped by the Zone.

With six employees, all of whom earn a wage much higher than the local average, EMR specializes in air conditioning, heating, plumbing and electrical design – primarily for chain stores. Major clients include Great Clips, Verizon Wireless and Family Dollar stores.

EMR, which is licensed in 47 states, was a dream realized from humble beginnings. The business is owned by Eric Engell, a licensed engineer

and resident of Tyner. Engell and his wife, Robin, moved here with their seven children from Texas because they liked the area.

The Engells lived in trailer while the business was being launched. They financed start-up costs through credit cards and two \$20,000 loans – one from KHEZ and the other from Jackson County/ McKee Industrial Development Authority. Since the initial financing in 2002, the KHEZ, the industrial authority and the Appalachian Federal Credit Union have teamed to provide the company a \$150,000 loan for a new office building.

EMR and the Engells are just one example that typifies the success of the Empowerment Zone, the entrepreneurial spirit of the citizens and attraction the area holds for new residents.

Sparking an entrepreneurial spirit

Communities that have strong agrarian roots typically also have a history of self-employment – either through farming efforts or small business ownership.

That environment has sparked an entrepreneurial spirit in places like Jackson County, where self-employment historically has been more than double the national average and accounted for almost half of total employment in the 1990s.

Through a 10-year, \$700,000 EZ grant, the Jackson County Entrepreneurial Training Center kindled that spark into 58 new businesses. Of those, 90 percent continue in operation today and employ 90 people. The success rate far exceeds national averages for new businesses.

The Center, managed by Eastern Kentucky University, was successful in tapping local talent and turning it into a job creator.

It offered several 12-week sessions for 12 to 15 residents – with 160 people completing the 60-hours of class time. During that time, students focused on self-management, small business management, marketing and sales, business planning and business implementation.

They also wrote a business plan and received one-on-one assistance from the center's full-time staff. Young and old, men and women, home-based and free-standing businesses – the center helped a variety of clients.

The range of businesses included crafts, professional services, home repair, day care and recreational facilities.

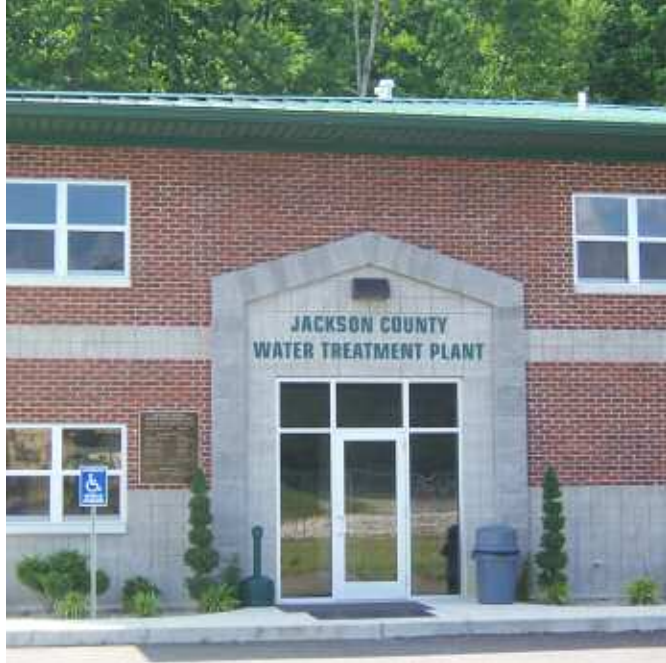
The center helped these entrepreneurs not only open their doors to business but also to success.

The program was so successful that the Commonwealth of Kentucky used the model in creating its statewide Innovation and Commercialization Centers.



Photo by Taneka VanValk

Through a 10-year, \$700,000 EZ grant, the Jackson County Entrepreneurial Training Center fostered 58 new businesses — ranging from crafts, professional services and home repair to day care and recreational facilities.



The proposed lake would have produced 3.5 million gallons of water per day.

Lake project stalled – Funding may need to be reallocated

The Jackson County Reservoir is the only EZ project in the county that hasn't been completed.

After spending more than \$1.2 million in environmental and engineering studies on the proposed 113-acre lake, the project has stalled in the federal and state review process.

In early 2006, the county learned that the Corps of Engineers denied the impoundment permit. The Jackson County Water Association is appealing this decision and is determined to find a much-needed source of raw water. However, if its appeal is not successful, the remaining funds for the lake project will be reallocated during 2006 through the amendment process.

The Jackson County Lake project has involved 10 years of community planning and a four-year study on environmental impact. Jackson County residents have done a thorough and professional job in focusing their efforts on this project, which is the largest single project in the Empowerment Zone Strategic Plan.

The estimated cost of constructing the lake, transmission lines and other facilities is \$18 million. EZ funding of \$5 million is available for the project.

An environmental impact statement on the proposed reservoir was released in 2001, which declared a preference to construct a lake on War Fork and Steer Fork that would produce 3.5 million gallons of water per day.

The study took four years and examined 13 potential lake sites at a cost of more than \$600,000.

The only two environmental impact statements ever completed by USDA-Rural Development in Kentucky have both been in the Empowerment Zone. The first one was completed in 1997 for the city of Albany's water expansion.

Median household income grew by 74 percent, compared to 49 percent in Kentucky and 39 percent in the United States.

Per capita income grew by 94 percent, compared to 62 percent in Kentucky and 49 percent in the United States.

Percent of persons below poverty decreased by 32 percent, compared to a statewide decrease of 16 percent.

Annual tourism revenue almost doubled from \$23.8 million in 1994 to more than \$44.3 million in 2002.

The number of families receiving public assistance declined by 74 percent to approximately the state rate.

Cagle's makes big impact on county employment

The impact of Cagle's-Keystone Foods on Clinton County has been profound. As the largest new employer in the Empowerment Zone, Cagle's has greatly improved job creation – both directly and indirectly – and has been beneficial to job training.

Many Clinton County natives are able to stay in the area to work and others have returned home as a result of the new job opportunities. The impact is so large that this project alone brought Clinton County unemployment rates down to approximately the state and national averages.

The employment at Cagle's represents a 50 percent increase to the total payroll amount in Clinton County – a much needed boost after thousands of Kentuckians in neighboring counties were laid off by Fruit of the Loom.

Doug Cagle Sr., chairman and CEO of Cagle's, told the media that the labor force and the work ethic of Clinton County residents attracted the company to Kentucky.

Here's what Cagle's has meant to the area:

- More than 1,500 new jobs and an additional 1,065 positions created indirectly;
- Health and life insurance as well as paid vacation and holidays for Cagle's employees;
- \$1 million in related worker training loans from KHEZ to equip Empowerment Zone residents with the tools they need to be valuable employees;
- More than 700 construction jobs were created to build the plant along Ky. 90;



Cagle's is the largest new employer in the Empowerment Zone – creating more than 1,500 direct jobs and another 1,065 indirect jobs. Farmers also benefit by supplying soy and corn to the facility.

- An increase of more than \$40 million annually in personal income;
- Annual tax payments of more than \$2 million;
- An increase of \$30.5 million in retail sales; and
- Production from as many as 130 farms to support the plant, including annual grower payments of \$6 million and the local purchase of 130,000 tons of soy and 12 million bushels of corn per year.

Investment brings better medical care, good jobs

It wasn't unusual for Clinton County families to make a four-hour roundtrip to visit loved ones in the hospital as they recovered from surgery. Today, residents no longer have to leave home to undergo operations.

They also have access to high-tech magnetic resonance imaging (MRIs), home health services and several new doctors.

Through two major expansions, Clinton County Hospital has realized \$6 million in improvements to its facility. Its first major expansion was a new emergency room, diagnostic facilities and patient rooms, which cost \$2.5 million.

Through a low-interest loan from USDA Rural Development, the hospital's second expansion was a new \$3.5 million, 9,350 square foot surgery wing that includes two operating rooms and state-of-the-art support facilities. Currently, also with financing from USDA Rural Development, the hospital has a \$16 million facility under construction that will open in 2007.

In turn, that investment has attracted new doctors and medical technology to the area, all of which have been financed by KHEZ. These companies are also creating about 50 new good-paying, skilled jobs, including:

- Surgical Specialties, which allowed Clinton County native Dr. Tracy Cross to move back home to establish a surgical practice that conducts medical examinations and minor procedures on-site. Dr. Cross

operates in the new surgical wing of the hospital. KHEZ also provided \$900,000 in financing to construct a new medical office building for Surgical Specialties and several other medical professions;

- Ampyss, Inc., which is a medical billing and records management company that processes claim forms for several physicians and medical practices;
- Twin Lakes MRI, Inc., which provides much-needed magnetic resonance imaging testing. In fact, when it opened in December 2005, Twin Lakes had a five-month backlog of procedures.



Photo by Mike Hayes

Twin Lakes MRI, which opened in December 2005, uses high-tech machinery worth almost \$1 million.

It is run by a family practice doctor and a radiologist, who use high-tech machinery worth almost \$1 million;

- Certacare, Inc., which provides drug therapy, such as chemotherapy, to outpatients and recently released hospital patients in a nine-county area. This service is more cost-effective than requiring patients to remain in the hospital for this drug therapy – saving about one-third of the cost of care. In addition, patients prefer to receive this treatment at home rather than in the hospital. The company will employ about 25 people, including doctors, pharmacists and registered nurses; and
- Brown Medical Practice brings an Albany native back home with a dual specialty in pediatrics and internal medicine. Dr. Shirley Brown provides a much-needed medical resource to a county that had no pediatricians when she formed her practice and a limited availability of internists.



Photo by Mike Hayes

Surgical Specialties, owned by a Clinton County native, allows residents to have procedures in the county rather than traveling a long distance.

Median household income grew by 74 percent, compared to 49 percent in Kentucky and 39 percent in the United States.

Per capita income grew by 94 percent, compared to 62 percent in Kentucky and 49 percent in the United States.

Population grew by 19.6 percent in the EZ tracts in the decade to 2000, more than twice as fast as the state rate.

Percent of persons below poverty decreased by 29 percent, compared to a statewide decrease of 16 percent.

Annual tourism revenue grew by 67 percent, from \$21.5 million in 1994 to more than \$35.2 million in 2002.

Foothills Country Meats bolsters agribusiness for area farmers

When thinking about agribusiness in Kentucky, horses, tobacco and bourbon come immediately to mind. The state is internationally known for producing the world's best of these products.

Beef is rarely included in that list. However, Kentucky is the largest cattle producing state east of the Mississippi River and the eighth highest ranked state in the nation.

And according to the U.S. Department of Agriculture, there are more than 25,000 cattle and calves in Wayne County with a value of more than \$12 million.

To take advantage of this tremendous resource, eight local farmers came together to establish Foothills Country Meats in Wayne County.

The company, which opened in 2004, specializes in beef processing but handles poultry, hogs and other products as well.

The USDA-approved facility includes a slaughter floor, processing areas, a cure room, a smoke room, coolers and a retail market.

Constructed at a cost of more than \$600,000 with funds from the EZ and the Wayne County EZ Industrial Authority, Foothills Country Meats, Inc. estimates meat purchases from local farmers will grow to more than \$1 million per year.

"We started as a group of farmers who wanted to process our own meats," said Curtis Harris, chief executive officer. "We had a high-quality product, free of hormones and antibiotics, and felt there was a local demand. There was nowhere in the area to do custom processing until we opened."



Foothills Country Meats provides high-quality meat – free of hormones and antibiotics. The eight local farmers who started the business also have a retail store that provides the customer service of an old-time butcher shop.

One of the highlights at Foothills Country Meats is its retail store. Reminiscent of the butcher shops of old, customers can select fresh beef, poultry and specialty products from glass cases.

"We are very pleased with everything so far," Harris said. "In the future, we would like to expand establish a Foothills Country Meats brand and grow our retail stores into the surrounding areas."

With the demand for fresh, organic products booming, Foothills Country Meats has found a niche market that fills a consumer demand and bolsters business for area farmers.

Region becomes houseboat capital of United States

South central Kentucky might seem like an unlikely home for the largest concentration of houseboat manufacturers in the United States. Yet the area around Lake Cumberland is both the birthplace of the industry and the undisputed center of houseboat production. And the heart of it all is Monticello in Wayne County.

Wayne County is the home of six luxury houseboat manufacturers that employ more than 700 residents. Importantly, each of these firms is locally owned and managed. In addition, there are numerous support companies in the community supplying components ranging from canvas covers to Fiberglass parts to cabinetry.

The houseboats made in Wayne County are not your ordinary vessels. Three-story craft 100-foot long and 18-foot wide with six bedrooms – are not uncommon. Luxury features can include hot tubs, fireplaces, state-of-the-art entertainment centers and even a helicopter landing pad.

The value-added production of houseboats imports significant wealth into Wayne County. Compared to the average outboard boat price of \$7,500, luxury houseboats average more than \$250,000 each and can sell for up to \$1 million. Total sales by the Wayne County produces alone can reach \$100 million annually.

The EZ has been a strong supporter and proponent of the local houseboat sector. Through the Development Venture Fund, the EZ has provided start-up and expansion financing totaling more than \$3 million in capital to the industry.

The houseboat companies in Wayne County and the EZ represent a commanding presence in the national market. There is no doubt that the innovation and entrepreneurial skills found in the community have created the “Houseboat Manufacturing Capital of the World.”



A capital infusion of \$3 million from the EZ has led to the community's status as Houseboat Manufacturing Capital of the World.



Photo by Bill Foreney

The ASPIRE Center, a \$1.8 million facility funded by the EZ, provides educational and recreational opportunities for residents of all ages.

ASPIRE Center becomes focus of community activities

Envisioned as a recreation space for the young people in Wayne County, the ASPIRE Center has evolved into a hub of activity for residents of all ages.

The ASPIRE Center, a \$1.6 million facility funded by the EZ, opened in the summer 1999 on a five-acre tract in Monticello. The center includes activity rooms, a gymnasium, office space and importantly, the first public swimming pool in Wayne County.

Lake Cumberland, one of the largest lakes east of the Mississippi River, has hundreds of miles of coastline in Wayne County. However, many young people in the community could not enjoy its benefits because they never had the opportunity to learn to swim.

With the opening of the ASPIRE Center, a public pool became available, with free swimming lessons provided by the city of Monticello and Wayne County. In 2005 alone, more than 300 children took swim lessons and were certified.

But swimming is only a small part of the daily activity for youth occurring at the ASPIRE Center. Church and school basketball programs, Halloween and Christmas parties, dances and indoor practices fill the building. Almost every weekend, the center hosts events including wedding receptions, family reunions, celebrations of Hispanic culture and continuing education courses.

Students participated in a contest to name the ASPIRE Center during the planning process. The winning entry was an acronym for Activities, Sports, Programming, Information, Recreation and Education. The ASPIRE Center has achieved the mission set out in its name and much more.



Photo by Bill Fortney

The Kentucky Highlands Empowerment Zone has been provided assistance from countless friends and supporters over the last decade. We would particularly like to acknowledge the following individuals:

<i>Chuck Bean</i>	<i>Janet Levy</i>
<i>Sara Bell</i>	<i>John Nester</i>
<i>Vernon Brown</i>	<i>Dr. Norman Reed</i>
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<i>Jeff Jones</i>	<i>Dr. Rick Wetherill</i>
<i>Jim Letcher</i>	<i>Jan Williams</i>

“The Kentucky Highlands Empowerment Zone is a terrific example of how to plan your work and then work your plan. It represents a classic partnership for economic growth that is a national model. I congratulate Kentucky Highlands Investment Corporation and the people of Jackson, Wayne and Clinton counties for their vision and their devotion to their communities.”

– Congressman Hal Rogers

In Memoriam

We would like to recognize and remember several EZ participants who are no longer with us, but whose contributions and hard work have made this venture such a success. Thank you.

- **Andrew Adams**
- **Charles Cowan**
- **Arvel Evans**
- **Willard Peyton**
- **George Privett**
- **Wayne Stewart**
- **Terry Sumpter**
- **Ione Talbott**
- **Hallice Upchurch**



With the leadership of elected officials such as Vice President Al Gore and Congressman Hal Rogers, the EZ gave the residents of Southeastern Kentucky the opportunity to achieve an unprecedented amount of success in terms of job growth, increased education, and lower unemployment and poverty.