

# KENTUCKY HIGHLANDS INVESTMENT CORPORATION

*Investing with Vision*

## Proud to be partners in progress

Progress made possible — you've probably heard us discuss this theme before.

The progress of more jobs. The progress of better water, sewer and safety services. The progress of a more diversified economy.

We have worked with local companies, community leaders and area banks to make economic success in the region possible. And to turn those possibilities into reality.

Kentucky has one of the best economic development packages in the country. Together, we can turn this potential into prosperity æ a characteristic so uncharacteristic in our region.

As we wrap up our fiscal year, we would like to share with you some of the economic success stories of the region and innovative new programs that have begun in the last 12 months.

KHIC invested more than \$5.4 million in fiscal year 2001 and secured another \$18.8 million in outside investments. This financial assistance has helped 68 area businesses create more than 645 new jobs.

Here are only a handful of recent success stories:

- Integrity Mold & Die moved into a new \$1.1 million, 24,000-square-foot facility in the Rockcastle County Industrial Park. The expansion is expected to boost employment from 26 to 40 high-skill jobs. In addition, an apprenticeship and job training program will be established.
- Cumberland Gap Provision expanded its Bell County plant to create 75 additional jobs.
- TexStyle, Clay County's largest private employer, worked its way out of bankruptcy. Business is now booming for the 145-employee manufacturing company.
- Outdoor Venture Corporation moved to a new facility in McCreary County. Owner J.C. Egnew has created 1,000 jobs in the area through OVC and three other companies he started. KHIC has worked with Egnew ever since he brought one of the first manufacturing plants to McCreary County in 1972.
- Southeastern Kentucky Rehabilitation Industries opened a new facility in Harlan County that will



*From left to right is Jerry Johnson, special assistant to the governor; Sara Augusta, mayor of Cumberland; Congressman Hal Rogers; Tom Fields, president of SEKRI; and Jerry Rickett, president and CEO of KHIC*

employ more than 100 people to make chemical protection suits as part of a \$13-million, 15-year contract with the U.S. Department of Defense. Some of its employees have disabilities or were referred by the Welfare to Work program.

- The Empowerment Zone, which KHIC administers, has helped bring more than 3,200 jobs to Clinton, Wayne and Jackson counties as well as \$175 million in investments in the last six years.
- Horizon Health provided much-needed adult day-care centers to Bell, Clinton, Harlan and Wayne counties.
- Kentucky Highlands also helped finance an expansion at Wisdom Dock in Clinton County, which will improve tourism and the quality of life for residents.

## Economic development initiatives

In addition to specific economic development projects, several regionwide initiatives have begun.

Last year and continuing in 2001, we are conducting economic development summits in our service area. Summits in Bell, Clay, Harlan, Rockcastle and Whitley counties have focused on helping business owners obtain financial and technical assistance, providing assistance to local officials on how to attract tourism, and working with various groups to promote cooperative efforts for job recruitment. A meeting will be scheduled in McCreary County later this spring.

*continued on page 2*

# KENTUCKY HIGHLANDS INVESTMENT CORPORATION

## Board chairman Wayne Stewart will be missed

From education to health care to economic development, a generation of families from Appalachia benefited from the good works of Wayne Stewart.

Mr. Stewart died in March at age 77 and will be sorely missed in his Renfro Valley community and across Southeastern Kentucky.

He gave selflessly to the region through his community involvement.

Mr. Stewart's commitment to service began in his native community of Rockcastle County, where he served as an administrator of the Rockcastle County Hospital, and as an organizer and past president of the Rockcastle County Improvement Council.

A World War II veteran, retired businessman and former school teacher, Stewart also served on several local civic boards. He received several honors for his community service, including the Kentucky Industrial Development Council's Volunteer of the Year and the Southeastern Kentucky Service Award for Contribution to Better Living in Eastern Kentucky.

Mr. Stewart helped guide KHIC through a period of tremendous growth over the past quarter-century. During



Jerry Rickett with Wayne Stewart

that time, KHIC has helped create more than 8,000 jobs in our service area.

Although they may never have heard of Wayne Stewart, residents of Eastern Kentucky owe a moment of thanks to a quiet, gracious man from Rockcastle County.

As a board member for 25 years and its chairman, Mr. Stewart helped KHIC become a nationally recognized leader in community and economic development. This achievement is the result of the progressive policies established through his leadership.

As a group that knew him well, KHIC's board and staff mourn the loss while also celebrating the contributions of Wayne Stewart. We look to carry on his efforts to continue improving the quality of live, work and health of our region.

---

**Current board members:** Andrew Adams, Aubrey Bailey, John Bianchi, Janie Carter, Charles Cowan, Robert Druin, Arvel Evans, Bob Fentress, Richard Foley, Gayle House, Jennifer Jones, William McClure, Eldred Musgrove, Willard Peyton, William Singleton, William Smith.

---

### Partners in progress... *continued from cover*

In addition, a banking seminar kicked off a series of professional seminars as KHIC continually searches for sound investments in new and expanding businesses in our region. Upcoming seminars will focus on other professional service areas, such as accounting, law and economic development.

### Fostering entrepreneurship throughout the region

Another program that began this year was "Tuesday Evening with an Entrepreneur." Along with the Center for Rural Development and Eastern Kentucky University's MBA program, KHIC sponsored roundtable discussions with successful entrepreneurs.

The seven-week program used a high-tech video-conferencing network to give budding entrepreneurs the opportunity to hear and seek advice from five successful business owners.

Since 1968, Kentucky Highlands has helped 158 businesses finance nearly \$83 million and create more

than 8,100 jobs. But the accomplishments you read about on the next several pages are the result of partnerships.

Our dedicated staff and board have worked with entrepreneurs, elected officials, community and business leaders, financial institutions, and economic development groups to achieve this success. Kentucky Highlands is proud to be a partner in this progress.

Jerry Rickett  
President & CEO  
Kentucky Highlands Investment Corporation

### Investing in our communities (April 2000 through January 2001)

Dollars loaned:	\$5,114,603
Equity invested:	\$340,400
Total investments:	\$5,455,003
Leveraged funds:	\$18,841,037
Number of loans:	29 loans to 24 businesses plus 42 EZ farm loans

Number of equity investments: 2

Total employment for KHIC investee companies increased by 645 jobs from 7,526 to 8,171

**If you are interested in starting a business, please call us at 606-864-5175.**

## KENTUCKY HIGHLANDS INVESTMENT CORPORATION

### Cumberland Gap expansion creates 75 jobs in Bell County

A recently completed expansion at Cumberland Gap Provision has created 75 jobs in Bell County.

The \$9 million expansion added 50,000 square feet to Cumberland Gap's current 140,000-square-foot facility in Middlesboro.

In addition, the expansion will ensure that Cumberland Gap meets and exceeds new food safety laws.

"Food safety is a big issue in our industry today," said Ray McGregor, chairman and CEO of Cumberland Gap Provision. "This expansion will put us at the forefront of food safety."

"The expansion also is a result of the increased demand for Cumberland Gap smoked hams and sausage products. Since Cumberland Gap was founded in 1979, it has steadily expanded its market share and brand identity over a major portion of the United States. As Cumberland Gap gains national recognition, our people like to say that we're putting the Gap on the map."



McGregor said that Community Trust Bank Corp., which financed the construction, has been extremely helpful in the current expansion and also in providing major financing over the past several years, which has enabled Cumberland Gap to continue to increase its capacity.

He said also Kentucky Highlands Investment Corporation (KHIC) has been extremely supportive æ both financially and as a business consultant.

KHIC helped Cumberland Gap transition into an employee-owned company in 1991.

"The move to an employee-owned company has helped us compete with large conglomerates," McGregor said. "Our employees are very involved in the success of the company. There aren't many companies our size that are still in the food business. We need every edge we can get."

"Kentucky Highlands also has provided considerable help as a secondary financial source, mainly in financing new equipment."

### Wisdom Dock expansion benefits tourism, Clinton County residents

With an expansion that was completed this summer, Wisdom Fishing Camp Company, Inc., 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 luxury houseboat rental.

A \$3 million expansion, completed in June, has led to a dramatic growth in tourism. Gross sales for the first week of July alone equaled the entire year's gross sales in 1983. Wisdom Dock books about 1,200 to 1,500 reservations per year and employs 65 people during its peak summer season.

"It has created a lot of jobs and will increase tourism for the county," said Clinton County Judge-Executive Charlene King.

Owner Paul Boggs estimates that half of his restaurant business comes from area residents.

"There has been a lot of local interest," Boggs said. "The quality of food we serve makes it the nicest restaurant around — short of driving to a big city."

The menu, which includes lobster, crab legs, steaks and prime rib, appeals to tourists as well. Many of them come to rent one of Wisdom's 22 luxury houseboats.

The restaurant, which seats 100 people, also can be used for meetings.



*Wisdom Dock's \$3 million expansion will boost tourism.*

The expansion was funded through Monticello Banking Company, Clinton County EZ Community, Inc., and a Kentucky Highlands Empowerment Zone loan through U.S. Rural Development.

KHIC has worked with Clinton County in a variety of other ways, including:

- Almost 300 jobs were created in Clinton County last year.
- The Clinton County Hospital broke ground in January on a new \$3.5 million, 9,350- square-foot surgery wing that will include two operating rooms and state-of-the art support facilities.
- In the last several years, per capita income increased 19.2 percent in Clinton County, while the national average was 14.7 percent.

# KENTUCKY HIGHLANDS INVESTMENT CORPORATION



*Horizon Health in Harlan county helps residents care for aging relatives.*

## Harlan County's newest manufacturer soon to be its largest

Southeastern Kentucky Rehabilitation Industries, Inc. (SEKRI) has completed Phase I of its Harlan County project and recently shipped out its first order.

Announced last April, SEKRI has opened a manufacturing facility in Cumberland that will make chemical protection suits as part of a \$13 million, 15-year contract with the Department of Defense.

Phase I included finding a building large enough to house equipment and employees as well as hiring workers.

SEKRI, a non-profit organization based in Corbin, has moved into the old Big Lots building in Cumberland. It also has hired 89 employees, many of whom are Welfare-to-Work participants or those who have some type of disability. These hires were made through the Eastern Kentucky Concentrated Employment Program in conjunction with the Harlan County Community Action Agency, as well as the Kentucky Vocational Rehabilitation Program. The remaining employees were hired through an application process.

The total employment will exceed 100 people, who will produce 1,000 chemical protection suits per week.

In addition to funding SEKRI, Kentucky Highlands also has helped bring a new resource to help Harlan Countians care for their aging parents. By providing daytime care, Horizon Adult Health allows people to continue working while their loved ones receive daytime care. Horizon recently opened in Harlan and also operates facilities in Bell, Clinton and Wayne counties.

## New economic development, educational opportunities come to McCreary County

You've heard the line before: "It ain't rocket science."

That saying may be true for economic development, but it took a former NASA engineer to bring the first large manufacturing plant to McCreary County in 1972.



*Jerry Rickett with J.C. Egnew*

Today, J.C. Egnew is responsible for four companies and more than 1,000 jobs in the area.

His first company, Outdoor Venture Corporation, moved into a new building in Stearns, Ky., last fall. OVC is a military tent supplier to the Department of Defense.

Three other area companies, American Bag, Academy Broadway and Shelter-Pro, sprang from OVC.

In addition, OVC's former building was sold to LeSportsac, which has expanded its operation and now employs 250 people.

Job prospects in Stearns were much different when Egnew arrived nearly 30 years ago. This quiet coal company town was facing a depressed timber and coal economy — with official unemployment in the upper teens.

KHIC provided start-up financing for Outdoor Venture Corporation, and that relationship continues today.

"You can always find sources of money, but finding one with more than money is difficult," Egnew said. "Kentucky Highlands had the know-how as well as the money."

Egnew has gone far beyond providing an economic boost for the region. He is impacting its social fiber.

Egnew and others were instrumental in bringing a public library to McCreary County; he spearheaded a fund-raising effort to expand a branch of the Somerset Community College; he served as the first Chamber of Commerce president in the county; and he donated OVC's first building to the McCreary County Heritage Foundation.

In addition to OVC, Kentucky Highlands is helping bring a Holiday Inn Express to Whitley City. It is the first national franchise hotel to locate there. In addition to providing 10 new jobs, it will boost tourism and attract new businesses to the area.

# KENTUCKY HIGHLANDS INVESTMENT CORPORATION

## Expansion, new training program brings more high-skill jobs to Rockcastle County

A recent expansion and the announcement of an innovative training program will bring more high-skill jobs to Rockcastle County.

Integrity Mold & Die moved from a 6,000-square-foot building into a new \$1.1 million, 24,000-square-foot facility in the Rockcastle County Industrial Park last fall.

The expansion, along with \$1.7 million in new equipment, is expected to increase annual sales from \$2.4 million to \$4 million as well as boost employment from 26 people to 40 people.

In addition, an apprenticeship and job training program will be established.

“The lack of trained machinists has been a limiting factor in the company’s growth and must be addressed,” said Ray Moncrief, executive vice president and chief operating officer of KHIC. “This program is also good for the region. It will train people for high-skill jobs.

“The expansion and training program are examples of the mission of Kentucky Highlands Investment Corporation æ providing a higher quality of employment in rural areas that are lagging behind the rest of the country’s economic boom.”

In addition, KHIC is providing a unique financing package that gives IMD flexibility and room to grow.



From left to right is Carlos “Buzz” Carloftis, county judge- executive, Danny Ford, state representative, Karen King, mayor of Mt. Vernon, Honorable John Clontz, chairman, Rockcastle County Development Board, Jim O’Toole, Federal Home Loan Bank - Cincinnati OH, Connie Graham, Citizens Bank of Brodhead, Jerry Rickett, president and CEO of KHIC, Kyle Thompson, president of Integrity Mold and Die, Ltd., Keith Smith, Citizens Bank of Brodhead, Congressman Hal Rogers, Rick McGraw, vice president of manufacturing - Integrity Mold and Die, Ltd., Dwight Looney, vice president of Engineering - Integrity Mold and Die, Ltd., Ray Moncrief, executive vice president and COO of KHIC.

## Monticello company back in the game

Sports Products, Inc., a sports apparel and products corporation, is partnering with two other companies in hopes of expanding into military equipment and apparel.

“It’s a natural extension of our current business,” said Jack Mills, chairman and CEO of Sports Products. “And, because the government has designated Sports Products as a small, disadvantaged business, we can get the boost we need to compete with much larger companies for government contracts.”

That could mean expansion of the current 80,000-square-foot facility in Monticello that employs about 60 people.

The future hasn’t always looked so bright for Sports Products. Several years ago, the predecessor company, TQ, Inc., was purchased by Hutch Inc., which declared bankruptcy soon afterward, taking TQ, Inc. down with it. That’s when KHIC stepped in to help finance the new company, Sports Products, Inc. Rather than allow the company to become mired in Hutch’s bankruptcy proceedings, KHIC became the majority owner and helped start Sports Products.

Ray Moncrief, executive vice president and COO of KHIC, said Sports Products shows a lot of promise.

“We’re proud to be involved with Sports Products Inc.,” Moncrief said. “The company is doing the right things in order to grow. By partnering with other companies, Sports Products’ employees can learn about working under government contracts and expand its base of customers.”

Those companies — Outdoor Ventures Corp., which has a plant in Stearns, Ky., and the Specialty Group, with a plant in McKee, Ky. — will be a valuable resource for Sports Products, Mills said. Both companies have received funding from KHIC as well.

Sports Products will also be part of the government’s Mentor-Protège Program, through which prime contractors teach qualifying small businesses about working on government contracts.

In addition, KHIC has helped Fantasy Custom Yachts with financing last year. The luxury houseboat builder, which employs 185 people with annual sales in excess of \$15 million, recently built a second production plant. While the Fantasy Plant features high-end, entirely customized boats, the new Atlantis Plant constructs mid-range boats with more limited selections for customization.

## KENTUCKY HIGHLANDS INVESTMENT CORPORATION

### Flat Rock Furniture expanding in Jackson County

Flat Rock Furniture opened in 1999 in Jackson County with the help of a Kentucky Highlands Empowerment Zone loan. That loan has spurred continued growth and an expansion of Flat Rock's business opportunities.

The Jackson County plant employs 34 workers, who make handcrafted hickory furniture. In 2001, Flat Rock will add 10,000 square feet of production space and 15 to 20 new employees at its facility in the former Christian Appalachian Project Christmas wreath factory in Tyner.

The furniture manufacturer also opened its first retail store in Sevierville, Tenn., this year. The store features its Berea Collection and other items made exclusively in Jackson County.



"Flat Rock Furniture is an excellent addition to the community," said Jerry Rickett, president and CEO of Kentucky Highlands Investment Corporation, which administers the Empowerment Zone in Clinton, Jackson and Wayne counties. "They provide high-skill jobs with top-end wages and an excellent benefits package. The company continues to grow and invest in our area."

Headquartered in Waldron, Ind., the company will soon have more employees in Kentucky than its home state. Flat Rock Furniture's products are sold to dealers and individuals, but much of it also is used in resorts throughout the country.

### Financing helps Whitley County

Bill Fortney has soared with the eagles. So he knows everybody needs a little help getting off the ground.

Eight years ago, he combined his job as a professional photographer with his love of the outdoors. The result was Great American Photography Weekend of Corbin, Ky.

Fortney's company takes amateur photographers to locations around the globe, where they learn the tricks of some of the best nature photographers in the world.

Fortney and his daughter coordinate workshops conducted by renowned nature photographers. The workshops range from an afternoon at a local park to weeklong tours of some of the world's greatest natural landmarks.

He credits KHIC with providing two critical elements when his company took its first wobbly steps: startup financing and advice.

"It wasn't just loans and financial help," Fortney said. "They really helped us run the business effectively and efficiently. We probably wouldn't have a business if it wasn't for them."

Sponsorships by such industry leaders as Nikon and Fuji help when Fortney recruits some of the top photographers in the world to conduct workshops for his company.

Fortney also has published *The Nature of America*, a coffee table book that includes a foreword written by Charles Kuralt.

### Clay County industry revived

After eight months in bankruptcy, Tex-Style emerged from Chapter 11 reorganization last spring stronger and more diversified.

The result is a booming business for Clay County's largest private employer — one that is expected to continue growing. Its two manufacturing plants in Manchester make window and shower curtains, pillows, and chair pads.

But through it all, a top management team was retained, the 145 employees remained focused and key investors helped it rebound from bankruptcy and other financial challenges, said Tex-Style CEO Mike Crotty.

The family-owned business moved its manufacturing facilities from Cincinnati to Clay County in 1991. Crotty said the company moved because of an attractive financial package from the Cumberland Valley Area Development District, Kentucky Highlands Investment Corporation and the Kentucky Rural Economic Development Act (KREDA), as well as an available labor market.

In addition to its role in bringing the company to Clay County, Kentucky Highlands helped the company out of bankruptcy.

"Highlands was extremely dedicated in helping us pull together information and instrumental in linking us up with Bank One to get a line of credit," Crotty said.

"We wouldn't have been able to do it without Kentucky Highland's help."