



KHIC LENDS MORE THAN \$23 MILLION FOR COMMUNITY FACILITIES

Kentucky Highlands has loaned more than \$23 million at low fixed rates for community facility projects that help reduce poverty. The USDA's Community Facilities loan program, known as the Uplift America Fund, chose KHIC as one of only 26 organizations in the nation to participate in the program, which leverages federal resources, bank financing and private grants to target much-needed capital to persistently low-wealth areas.

"This program has helped fund important health-care, education and social service needs that have been previously unmet or were in jeopardy," said Jerry Rickett, president and CEO of KHIC. "These community investments will benefit the health and well-being of our service area for generations."

The projects funded are:

- LKLP Community Action Council: \$7.1 million for two projects for the nonprofit, which serves Leslie, Knott, Letcher and Perry counties. LKLP is combining its Early Head Start, Head Start and Adult Day Care programs into a single facility that will be known as the LKLP – CAC Intergenerational Facility. The second project includes purchasing the Hazard office building it had been renting and the old Hyden Elementary building as well as refinancing its Lyndon storage building.
- Rockcastle Hospital & Respiratory Care Center: \$7 million for long-term financing for an expansion of its surgical department and needed equipment as well as a commercial building that was purchased and converted into medical office space and its Quick Care facility.
- Pineville Community Health Center: \$6.5 million to help PCHC purchase the assets from First State Bank, which continues to provide a line of credit for working capital. A total of 133 jobs have been restored so far, with many more to be added as additional services are added.
- GraceHealth: \$1,725,000 in community facilities funding for its Women's Care clinic, which is one of the largest women's care providers in the region. More than 56% of the target population live at or below 200% of the federal poverty level and live in an area with a rate of primary care physicians that is 47.6 per 100,000 population compared to 74 per 100,000 across the state. It will serve more than 2,000 additional, unduplicated patients because of this project.
- Day Spring Family Health Center: \$775,000 for a full-service dental clinic in Williamsburg, where an estimated 22,000 patients would be without a dentist within a reasonable driving distance. For patients without insurance who are below 200 percent of poverty, there is a sliding fee scale, and transportation is available for qualified patients.

"We've partnered with KHIC since we were established in 2008," GraceHealth CFO Chad Stevens said. "We have a partnership and history. This was a great opportunity with favorable terms to allow us to expand the essential health care that we provide to women and babies in the region, including specialty care such as our medically assisted drug treatment program for pregnant women. We've been successful at keeping babies with their moms and keeping them out of the neonatal intensive care unit."

MEETING THE TIMES AND THE NEED

Through relationships, partnerships and programming, Kentucky Highlands Investment Corporation has always worked to meet the needs of our clients and our community.

You'll see examples of that throughout this newsletter.

KHIC's various loan products keep pace with business growth -- starting with a \$7,500 SOAR Production Loan to a microloan, which provides funding up to \$50,000, then moving to a mid-sized loan that the IRP program is designed to target.

These are critical investment dollars for rural communities, which have less access to traditional capital. We have utilized and expanded these programs over many decades to protect and create more than 17,000 jobs for the region.

But we've also worked hard to help job creators and service providers sustain and adapt to a pandemic that wasn't part of any due diligence or business plan. And we've used the same formula for success -- relationships, partnerships and programming. We are thankful to our federal partners -- private and public -- who have made investments in our region.

Our Kentucky Highlands Innovation Center secured a Rural LISC grant to help provide telehealth services that provided a lifeline by connecting people with addictions to treatment. It also assisted many entrepreneurs who needed help on how to apply for the federal Paycheck Protection Program (PPP) to see them through the pandemic.

Overall, KHIC worked with 285 borrowers on loans for more than \$139 million in the last year. Of those, 146 were modified loans in



the amount of \$107 million, which includes more than \$50 million in line of credit renewals. We worked closely with those borrowers to customize each modified plan and provided technical assistance to 125 recipients.

Those loans helped retain 7,029 jobs.

And we know our work is not over. We will continue to provide working capital financing and technical assistance for entrepreneurs and small businesses so they will survive and thrive following the pandemic.

Finally, we want to pay tribute to key partners who provided leadership, service and vision throughout the years -- Robert Druin, a 45-year board member who passed away; Curtis Harris, who is transitioning from his longtime role with Foothills Country Meats; and the Deaton family, which recently sold Senture. Their contributions to our economy and communities will be felt for years to come.

Perseverance. Persistence. Resilience. Those are the stories you'll find here because those are the stories of Appalachia. And they are the qualities that will get us through these turbulent times and position us for a brighter future.

Sincerely,

Jerry Rickett
President and CEO

KHIC FUNDERS FISCAL 2021

PRIVATE PARTNERS

Anthem
Appalachian Community Capital/
Appalachian Regional Commission
Association for Enterprise
Opportunities/GoDaddy
Bank of America
Delta Dental
Goldman Sachs Foundation
HEAD Corporation
LISC
Mary Reynolds Babcock Foundation
Opportunity Finance Network/
Google Endeavor, LLC
PNC Bank
Wells Fargo Open For Business Fund
Woodforest Bank

FEDERAL PARTNERS

Office of Community Services, US
Department of Health and Human
Services
United States Department of
Agriculture -- Rural Development
US Department of Treasury -- CDFI
US Small Business Administration

INVESTING IN OUR COMMUNITY FISCAL YEAR 2020

Loans
Closed

285

Investments
Outstanding

552

Portfolio
Employment

17,678



WORK FORCE HOUSING UNITS COMPLETED IN MIDDLESBORO

Affordable housing is a key component to improving the economy and quality of life for the region's families. That's why Kentucky Highlands Community Development Corporation (KHCDC) and Bell-Whitley Community Action teamed up to bring much-needed work-force housing to Middlesboro.

Their joint project, which built four duplexes for eight families near downtown, was recently completed. It helps fill the need in Middlesboro for both market-rate rental units as well as units with somewhat lower rents for households with lower incomes.

KHCDC and Bell-Whitley Community Action worked with the Bell County Fiscal Court to acquire a \$1 million Community Development Block Grant from the Kentucky Department for Local Government, and additional financing came from Kentucky Housing Corporation.

Five of the eight units have been set aside for households with incomes at or below 60 percent of area median income.

"An inability for workers to find affordable housing is an obstacle for any prospective large employer that is considering bringing jobs to our region," said Jerry Rickett, president and CEO of KHIC, which provided interim financing for site development and construction. "That's why housing affordability is an economic development issue. Through strong regional partnerships with nonprofits, community colleges and private business, this project has been successful in providing safe, affordable housing for families in the area."

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Jerry Rickett

President and CEO of KHIC

As of April, five of the eight units have been rented – ranging from a single grandparent with two grandchildren to a single mother of two to a married couple with two children.

KHCDC worked in partnership with Southern Tier Housing Corporation (STHC), which served as the contractor; architect Jace Burris; and Wayne Manufactured Structures, which manufactured the modular units at its plant in Monticello.

In addition, students from Southeast Kentucky Community & Technical College's Middlesboro and Harlan campuses constructed the storage building part of their trade classes.

LIFE-SAVING CONNECTIONS: KHIC HELPS TREATMENT FACILITIES BRIDGE THE DIGITAL DIVIDE DURING COVID

Rural residents are all too familiar with the challenge of Internet service that is slow and spotty, and many face obstacles with a lack of training, hardware or financial help to access the Internet.

Those complications grew exponentially when the country shut down, making the Internet and programs such as Zoom essential for school and work. But for addiction recovery, which relies on communication and community to hold clients accountable and help them heal, the Internet has literally been a lifeline.

Not only did the pandemic contribute to a 50-percent increase in overdose deaths in Kentucky, it also shut down a key component of healing – in-person recovery classes.

With the help of a grant from Rural LISC (Local Initiatives Support Corporation), the Kentucky Highlands Innovation Center helped New Hope Counseling Recovery, Addiction Recovery Care, Community Treatment & Tracking Solutions and RRJ Center for Change stay connected with clients.

Some counselors and clients lacked skills to use telehealth sessions effectively. Others needed computer cameras and speakers, and some clients couldn't afford Internet service. Health-care privacy laws further complicated efforts.

The Innovation Center provided Zoom instruction and worked with clients to enable them to receive telehealth counseling. Staff determined hardware requirements, purchased necessary equipment and worked with Internet service providers.

Small cash grants were used to pay for equipment and/or Internet service for clients.

For one man who was addicted to heroin, it may have saved his life. He had no money, no Internet access, and no phone or computer. He had hit rock bottom and was desperate to get better. He was given a phone card on the condition that he would download the treatment/monitoring app and work the program. He is now on the way to recovery.

KHIC sees the program as a stepping stone to other opportunities.

"It will help health-care providers move more quickly into telehealth, which will expand access in rural medically underserved areas," said Jerry Rickett, president and CEO of KHIC. "It also will introduce clients to entrepreneurship and other employment options, such as East Kentucky Concentrated Employment Program's Teleworks program, which trains people for legitimate work from home jobs."

AG LOAN FUND HELPS FARMERS SOAR



Mothers and daughters. Husbands and wives. Neighbors and partners. The SOAR Small Loan Production Fund has seeded innovation and supplemented income for five years.

There were 43 loans made last year for a total of \$320,000. Many were made to young farmers in their 20s or 30s. Some were made to past borrowers who've paid back their loan and are expanding again. Here are just three of their stories:

Samantha Whitaker Johnson, a farmer in Johnson County, is a three-time borrower from the fund. Each time, she borrows funds to purchase calves or cow/calf pairs, raises them through the summer, sells them when

the market is favorable, pays back her loan and starts over. She began her business when she was a student at Morehead State University. Since that time, she married Derek Johnson, another SOAR farm loan borrower. In addition to raising cattle, she is a veterinarian technician in West Liberty.

Rhonda and Brent Cornett are eighth generation farmers in Laurel County. They own 250 acres and lease more than 400. In addition to growing more than 100 acres of vegetables, the Cornetts raise and process beef and pork, grow grain and hay for their livestock, sell cheeses and baked goods, and sell retail started plants and flowers. The Cornetts farm, which is certified at the highest level of GAP (good agricultural practices), will use the loan to purchase a storage building and equipment for a commercial kitchen next to their existing retail store.

Gary Barker and mother-in-law Wenona Fannin of Johnson and Morgan counties had a family tradition of making sorghum for three generations. With no sorghum makers currently in the community, they see an opportunity. The \$7,500 loan will purchase a walk-behind tractor, tiller, planter and metal

building for cooking.

KHIC and Grow Appalachia created the SOAR Small Loan Production Fund. It is made possible through the Kentucky Agricultural Development Fund (tobacco settlement funds) and the Governor's Office of Agricultural Policy (GOAP).

From \$950,000 in capitalization from GOAP, the fund has made 218 loans for almost \$1.56 million in five years.

More than \$400,000 in principal repayments have been made.



LOAN PROGRAM PROVIDES MUCH-NEEDED ACCESS TO CAPITAL, AFFORDABLE FINANCING

Kentucky Highlands Investment Corporation was approved for another \$1 million from the USDA for its Intermediary Relending Program (IRP) funds.

KHIC loans the money to borrowers, then when that money is repaid, it is relent to new borrowers. As a result, KHIC has taken approximately \$14 million in IRP funds and turned the funds over four times for a total of more than \$56.5 million.

The 419 loans from the IRP program have created or retained more than 26,000 jobs since 1992.



"A critical component to KHIC's investment tool chest has been the IRP loan program," said Jerry Rickett, president and CEO of Kentucky Highlands. "Southeastern Kentucky has benefited from having one of the largest IRP programs in the country."

The funds provide another source of rural business capital, which is often difficult to access, especially with the closing of several community banks in recent years. In addition, they offer flexible, affordable financing terms, which is very important for young businesses and those going through some type of fast growth or other transition.

One recent loan was awarded to A-1

Construction & Septic Service in McCreary County. In 2018, Sam and Courtney Phillips purchased the business from the previous owner with owner-financing and a microloan from KHIC.

A-1 provides complete septic system repair, maintenance and installation services. Almost two years after buying the business, A-1 received help from KHIC to improve cash flow to serve its expanding customer base. It restructured the owner financing with a more affordable IRP loan. The company employed four people at the time of the loan and is expanding by another two to three people.



RESTAURANT FRANCHISE OWNER BENEFITS FROM INNOVATION CENTER EXPERIENCE AND GIVES BACK

It started with a Sonic Drive-In franchise in London in 1996. Since then, Chuck and Mindy Newnham have acquired a total of seven franchises with Lee's Famous Recipe Chicken and Sonic.

They now have about 140 employees and closer to 210 employees in the busy summer months. Their franchises stretch from Richmond and Lexington to Russell Springs, Columbia, Stanford and Monticello as well as the original site in London, which has been rebuilt.

Their company, K2, was the second tenant for the Kentucky Highlands Innovation Center and remains an important partner.

"We were looking for office space, and it's so much more," said Chuck, who handles the operations while Mindy oversees administration. "We've taken advantage of a free legal class, a QuickBooks class, Toast Masters speech training and other classes. And it's so helpful to get the advice of other tenants here – there's a lawyer, a CPA."

Chuck also utilizes the training space to conduct classes on franchising and training

for restaurant managers.

"Every community needs a Kentucky Highlands," he said. "My business has grown because of it. We work hard, but I don't think we'd be where we are today without the network and resources I have here. It gives me a comfort level that I have the professional services and advice rather

than just Googling something. Bankers help me get my ducks in a row."

In turn, Chuck also serves as an Entrepreneur in Residence and helps fellow entrepreneurs, who come in to pitch ideas.

"They come in, and we ask questions – what are your costs,

where are you getting your materials," Chuck said. "It forces you to look at every single process in the business. It helps you know what you're up against and what the next steps need to be."

He also helps people understand franchises. It costs more to invest, but it is a proven model and much of the hard work – from menus to marketing – have been done.

"There are a lot of moving parts – buying property, appraisals, business plans, insurance," Chuck said. "I don't know where I would be without Kentucky Highlands."



EMPOWERMENT ZONE TAX CREDIT EXTENDED THROUGH 2025

Although the Kentucky Highlands Empowerment Zone's official designation ended in 2004, benefits continue to help the region's employers.

In December 1994, the Kentucky Highlands Empowerment Zone became one of only three rural empowerment zones in the country. The program provided \$40 million of government funding over a 10-year period to uplift the economies in Clinton, Jackson and Wayne counties. It also created a 20-percent wage credit for employers to attract jobs to the Empowerment Zone.

Those incentives continue to be renewed annually. The latest renewal, which was passed in December, extends the tax breaks through Dec. 31, 2025.

"This 5-year window allows business to better plan, and it incentivizes them to invest in the community," said Jerry Rickett, president and CEO of Kentucky Highlands, which served as the administrator of the Empowerment Zone. "It is a valuable tool for both large employers and small businesses."

The credit applies for workers who perform substantially all services for employers within an Empowerment Zone and have their principal residence within that Empowerment Zone while performing those services.

The tax credit is 20 percent of the employee's first \$15,000 in annual wages with a cap of \$3,000 per employee.

SENTURE PARTNERSHIP WITH KHIC HELPED CREATE JOBS, IMPROVE WORKER FINANCES



The Kentucky Highlands relationship with companies created by Bill Deaton goes back more than 35 years -- from Appalachian Computer Services through Image Entry and Senture.

Through the years, this partnership has resulted in thousands of jobs and pioneered an innovative loan program for employees.

KHIC has provided these businesses with more than \$7 million in financing, which includes \$6 million to Senture.

The company, which provides call center service support across the United States, now has six locations in Kentucky and offices in New Hampshire, Texas and Mississippi. Senture was sold earlier this year to Kingswood Capital Management. All KHIC financing was paid off but the impact remains strong.

"If not for KHIC, Senture would likely not be here," said Christopher D. Deaton, former president and CEO of Senture and Bill Deaton's son. "We will never forget your friendship and loyalty to help us help east Kentucky."

Since KHIC began its relationship with Senture, the company grew from 200 employees to about 4,000. KHIC financed locations for Senture in Jackson County, Wayne County and Williamsburg, where it became one of the city's largest private employer.

The two organizations worked together to create the Senture Hardship Loan Fund to help employees get through tough times.

Senture was having difficulty finding and retaining employees due to credit issues. Most of its contracts require employees who work on those contracts to have acceptable credit.

In addition, the company was losing employees when they experienced unexpected hardships, such as a car breaking down, family breakups and illness.

KHIC, Senture and Appalachian Community Credit Union partnered on an ARC POWER Grant to create the pilot project.

Capitalized by the partners with \$200,000, the program helps Senture employees obtain loans between \$250-\$1,000 for unexpected emergencies.

Loans are available to employees based on work history not credit, which is important because many low-income workers don't have a high enough credit score to obtain a traditional loan.

The fund made more than 300 loans for a total of more than \$190,000 before being paused when Appalachian Community Credit Union closed its Kentucky branches.

KHIC will again help capitalize the loan loss reserve fund, along with Senture and HEAD Corporation. Park Community Credit Union will manage the lending and credit counseling.

FOOTHILLS PRODUCTS & SERVICES COMMITMENT TO AREA FARMERS CONTINUES

It started as Foothills County Meats in 1998, when a group of farmers wanted a place to process animals raised within a 100-mile radius of Wayne County.

The company originally opened in McCreary County in a leased plant before building a new plant on KY 90 in Wayne County. The business now has a USDA-approved 6,176 square-foot meat processing plant on a four-acre site, which includes a slaughter floor, processing areas, a cure room, a smoke room, coolers and a retail market.

Through many transitions and a name change to Foothills Products & Services (FPS), longtime manager and part-owner Curtis Harris has been a constant – sometimes working for no pay to keep things going.

The business has recently been sold, but it continues the commitment Harris has shown for more than two decades. FPS offers services that cannot be found elsewhere in the area, including having a USDA inspector on-site.

"The USDA facility has been a great asset for custom slaughter and processing animals for area residents for a long time," said

Glen Roberts, Wayne County extension agent for agriculture and natural resources. "It has most recently become a great resource for beef farmers who are marketing their own farm-raised beef one package of beef at a time. One great service that Curtis did for the community was to offer catering out of the processing facility. Whether local sourced or bought off the USDA inspected truck, the meat has always been of highest quality. Our Wayne County Pork Producers Association bought

several thousand pounds of pork loin from Foothills. We grilled and sold tenderloin sandwiches to raise funds to sponsor extension programs for children and adults."

The store is priced competitively with other retail outlets in the area but has superior service and quality. FPS provides custom cutting to desired

size, thickness and quantity for each customer. It also provides a fresher product by cutting products the day they are sold and not utilizing pre-packed meats. The store carries fresh beef, pork and chicken products as well as frozen fish, chicken and miscellaneous items.

Its wholesale business delivers meat products to groceries, restaurants and convenient stores within a 100-mile radius.

"We grilled and sold tenderloin sandwiches to raise funds to sponsor extension programs for children and adults."

MICROLOAN HELPS CLAY COUNTIAN GO FROM DISABILITY ASSISTANCE TO BOOMING ENTREPRENEUR

Jennifer Jackson had a thirst for education and a hunger to help people. With her passion, knowledge and help from Kentucky Highlands' microloan program, Jackson went from being on Social Security disability to a business owner with eight employees and another expansion on the way.

As a nontraditional student, Jackson earned an associates degree, then a bachelor's degree and two master's degrees. Her first business didn't succeed, but she was undeterred. Jackson then started a T-shirt business while also working in insurance at a hospital. She loved working with the elderly but also was an entrepreneur at heart.

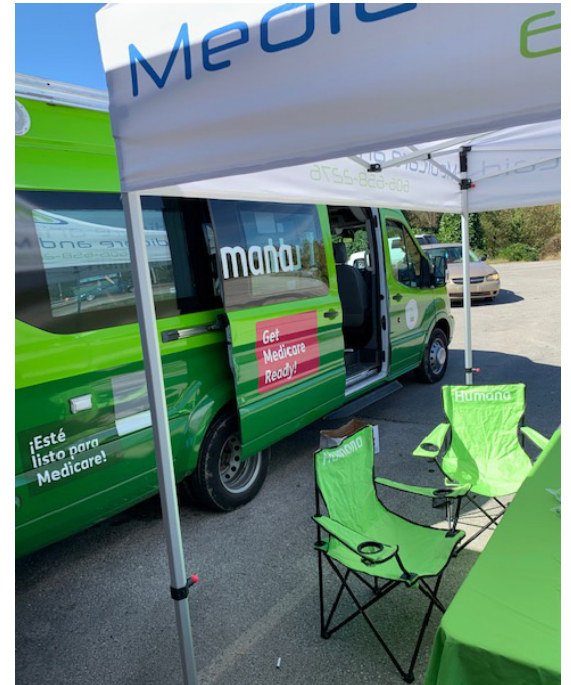
In 2016, Jackson started Community Connections, a health insurance agency in Clay County. The first few months were lean. Jackson couldn't afford to buy Christmas

gifts for her children, and her electricity was shut off for a while. She contacted KHIC and received a microloan of \$21,000 for building improvements and working capital while the business was in its start-up phase.

Business was booming that first year. She has never had a loss and doesn't need to advertise. Her more than 4,000 clients all find her by word of mouth. By early 2017, Community Connections moved to a larger building to accommodate additional agents.

"No one has the knowledge or model we have," Jackson said. "We provide access to different insurance plans as well as programs geared towards providing health-care opportunities. We help clients receive assistance through many available programs and even help write grants for clients with special needs."

In May 2018, Jackson expanded her business to Leslie and Harlan counties. KHIC consolidated her loans at that time and loaned her an additional \$28,000 to cover



equipment and working capital needs to expand.

She has received awards for top performance in the state by Anthem and Humana. Despite the pandemic, business increased 95 percent in 2020, which necessitated another move to a larger building – six times bigger than the office where she began. Community Connections is now serving clients across Kentucky and is licensed in a total of four states.

STAFF NEWS

PROMOTIONS

Three longtime staff members have earned promotions: Mark Bolinger has been named executive vice president of lending; Brooklyn Hooker has been named controller; and Tennile Reed is now assistant controller. Please join us in congratulating them.

Mark
Bolinger



Brooklyn
Hooker



Tennile
Reed



RETIREMENT

In addition, Cindy Bowles has retired. Cindy served with dedication and distinction for more than 25 years, most recently as controller, where she had oversight of the accounting department and provided support to the chief financial officer. We wish Cindy a happy and healthy retirement.

Cindy Bowles





PROMISE ZONE PROJECTS INCREASE ADDICTION RECOVERY EFFORTS

Largely due to a surge in overdose deaths since the pandemic started, the United States set a record for drug overdose deaths from May 2019 to May 2020, according to the CDC. Kentucky, and especially Eastern Kentucky, is not immune to this troubling trend.

Partners in the Kentucky Promise Zone, a 10-year initiative that provides a competitive advantage in applying for federal funds and assistance, have attracted hundreds of millions of dollars in investments for Bell, Harlan, Letcher, Perry, Leslie, Clay, Knox and part of Whitley counties.

Projects throughout those years have resulted in critical developments in economic development, education and health care. In 2020, Promise Zone partners launched two key projects focused on treatment and recovery for the drug epidemic:

- Volunteers of America Freedom House in Manchester: VOA received a \$2.6 million federal grant, one of three in the nation, for treatment and recovery services for pregnant and

postpartum women and their children in Southeastern Kentucky. Along with the University of Kentucky's Human Development Institute, VOA will use the money to serve an estimated 1,250 individuals and their families over a five-year period.

It will be invested in Freedom House, which provides a residential treatment program to treat the women's drug or alcohol dependency, break the cycle of addiction in families, reunite families broken apart by addiction, and to promote the birth of healthy, drug-free babies. Freedom House opened in 2019 with the help of several private grants.

- Transitional Housing: Mountain Comprehensive Health Corporation (MCHC) was awarded \$1.5 million through an Appalachian Regional Commission grant for 22 transitional housing units in Whitesburg for men who are in recovery from substance use disorders. It is often impossible for people who have completed treatment to find safe, sober housing or the services that would help them return to the community. The project

will renovate a former high school to create efficiency apartments. MCHC staff will work with community partners to coordinate health care, education and other social support services for residents of the new facility.

Residents also will receive job-skills training through collaboration with local program partners, including Southeast Kentucky Community and Technical College and the Eastern Kentucky Concentrated Employment Program (EKCEP). The facility can serve 44 residents each year.

MCHC, Southeast Kentucky Community and Technical College and EKCEP are all partners in the PZ.



IN MEMORIAM — ROBERT DRUIN

Kentucky Highlands Investment Corporation lost an important leader earlier this year.

Robert Druin of Clinton County died at age 87. He served on the KHIC board for 45 years.

"The success that Kentucky Highlands has achieved is due to the strength of our board members like Robert Druin," said Jerry Rickett, president and CEO of KHIC. "He was an important link to the community

and helped set the course for our economic development efforts. His board service spanned almost as long as Kentucky Highlands has been in existence."

During Mr. Druin's tenure, there were many positive changes to the region. One of the biggest was the Empowerment Zone, which was awarded to Clinton, Jackson and Wayne counties in 1994.

Our condolences to his wife, Marilyn, and daughter, Hester Burns. He will be greatly missed.