United States Department of Agriculture

Office of the Secretary
Washington, DC 20250

June 7, 1999

TO: Lisa Green or Jay Dunn

FROM: Clyde Williams - Bart Chilton
Deputy Chiefs of Staff

RE: New Markets Presidential Trip

As per your request Monday, June 7, we have prepared the following responses:

- USDA wishes to contact none of the companies presented on the attached list.
- USDA does wish to contact Bestfoods Inc., Dole Food Co., Earthgrains Co., Kellogg USA, Quaker Oats Co. and Seneca Foods Corp
- *"What is the relevance and importance of these companies to any of the sites that your agency or other have recommended."* - - **PLEASE SEE ATTACHMENT**
- *"What companies does your principal have existing relationships with that we can build upon in this corporate outreach effort."* --**PLEASE SEE ATTACHMENT**

If you have any further questions please call Justin Paschal @ 202-720-3631

Laura Trivers (202) 720-4623
laura.trivers@usda.gov
Jim Borland (202) 690-0469
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USDA, MAJOR FOOD COMPANIES JOIN TO PROMOTE CHILDREN'S HEALTH

WASHINGTON, May 12, 1999–Agriculture Secretary Dan Glickman today announced a partnership between USDA and eight national food companies and a national parenting magazine to use the Department's newly-released Food Guide Pyramid for Young Children to promote good nutrition and health among America's youth.

"The new children's food guide pyramid is a terrific tool to teach kids how to choose good, nutritious foods for a healthy, active lifestyle," Glickman said. "These new partnerships with the food industry will help us place this positive advice where it can be most effective–on America's breakfast, lunch, and dinner tables."

Glickman, on behalf of USDA, today signed memoranda of understanding with Bestfoods, Inc., Englewood Cliffs, N.J., ~~Dannon Company, Inc~~., Tarrytown, N.Y., Dole Food Co., San Mateo, Calif., Earthgrains Co., St. Louis, Mo., Kellogg USA, Battle Creek, Mich., Quaker Oats Co., Chicago, Ill., Seneca Foods Corp., Pittsford, N.Y., and Tyson Foods, Springdale, Ark. Glickman also signed a memorandum of understanding with Child Magazine, New York, N.Y.

In the agreement, the companies state their intent to use the children's pyramid in nutrition education and marketing campaigns, while USDA agrees to provide technical assistance in reviewing for completeness and accuracy company-produced education and marketing materials based on the Pyramid.

The partnerships announced today are a part of USDA's continuing nutrition education outreach efforts that include incorporating the Pyramid and the Dietary Guidelines into USDA programs like WIC, Food Stamp, and School Meals, working with other government agencies to reach their customers, and forming innovative partnerships with the private and non-profit sectors.

"We reach millions of children ages 2 to 6 every day in child care centers, WIC clinics, and Food Stamp offices," said Glickman. "With the children's food guide pyramid poster on the walls of these centers, clinics, and offices we'll do better than just reach them–we'll teach them."

#

AIG
Allied Signal
AllState
American Airlines
American Express
Ameritech
Bank Boston
Black Enterprise Fund
Boeing
✓ Burger King MOU WHERE LINKING KING w/ LOCAL FARMERS AS SUPPLIERS
Chevron * SAME AS ABOVE FOR DAIRY QUEEN
Cigna
Coca-Cola
Compaq
ConAgra
Costco
CSX
Daimler Chrysler
Dayton Hudson
Edison International
✓ El duPont
Enron
Exxon
First Union
FMC
Ford Motors
/ General Mills — MOU ON KIDS FOOD PYRAMID
General Motors
Goldman Sachs
Hewlett-Packard
Home Depot
Honeywell
IBM
Intel
International Paper
JC Penny
Johnson & Johnson
Johnson Publishing
Kmart
Kroger
Lockheed Martin
Loews Corporation
Merck
Merrill Lynch
Met Life
MJH
Mobil
Morgan Stanley
New York Life
Pfizer
Procter & Gamble
Prudential
Ralph's
Rite Aid

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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY

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FAX COVER SHEET

DATE: 6-9-99

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PLEASE DELIVER TO: Lisa Green

FAX NUMBER: ( ) 456-2223 PHONE NUMBER: ( ) 456-5351

FROM:
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  - ☐ LAURETTA MILES, ADMINISTRATIVE ASSISTANT
  - ☐ JANNA PASCHAL, STAFF ASSISTANT

MESSAGE:

Please see Attachment

Thanks JMP

Southern Development Bancorporation

605 Main Street, Suite 202
Arkadelphia, Arkansas 71923
870/246-3945
Fax 870/246-2182

June 1, 1999

President Bill Clinton
1600 Pennsylvania Ave, NW
Washington DC 20500

Re: Arkansas/Mississippi Delta Site Visit

Dear President Clinton:

It is Southern Development Bancorporation's understanding that the government will soon release a report on the economic progress in the Delta region of the country entitled The Delta Beyond 2000. We further understand that you are considering a Delta site visit(s) in anticipation of the release of this valuable report. We invite you to consider Lee, Phillips and Jefferson counties in Arkansas. There are exciting development programs operating in these counties that would make them ideal for such a site visit.

The original report by the Lower Mississippi Delta Development Commission, The Delta Initiatives, issued while you served as its capable chairman became "a Handbook for Action" for the development organizations and agencies operating in the region. Southern considers itself the embodiment of one recommendation from that report, the creation of a Delta Development Bank. Southern and its family of development companies provide many of the development services recommended in The Delta Initiatives and cordially invite you to view our progress.

As you know, the Delta has always experienced difficulty in leveraging outside resources both public and private. A Presidential visit will bring attention to the region and greatly enhance the development efforts of local service providers. This is a unique time in the Delta's history, your visit can help renew local and national interest in the region. That interest can equate to an influx of much needed outside resources.

Rural development, particularly in the Delta, requires time horizons of 10 to 25 years. Earlier development initiatives failed to meet expectations because no permanent community-based institution evolved to sustain the development process after state, federal, private or non-profit resources ended. Southern provides a permanent, locally based resource around which other development resources can rally.

I hope that your office will give serious consideration to this request for a Delta site visit.

Sincerely,

Joseph Black

Joseph Black
Program Director
Southern Development Bancorporation

Enclosures

Southern Development Bancorporation – Site Locations

Arkadelphia, Arkansas

Current location of Southern's corporate headquarters. This includes Elk Horn Bank which has pioneered development banking in the south, Opportunity Lands Corporation which develops affordable housing and small business office space, and Arkansas Enterprise Group, a non-profit hi-risk business development entity.

Pine Bluff, Arkansas

Site of the Good Faith Fund (GFF). It provides direct loans, micro loans, human resource development programs, women to women mentoring, welfare to work programs, public policy development and asset creation strategies (Individual Development Accounts) for low-income families.

Helena, Arkansas

Location of Southern's two Delta banks, First National Bank of Phillips County and Delta State Bank. These banks provide an array of financial programs designed to broaden the profile of successful entrepreneurs and business people to include women and minorities.

Stuttgart, Arkansas

Location of the Industry Partners, Employment Training Center (IPE). This program prepares low-income residents for jobs in the Delta's manufacturing sector. IPE projects feature a functional context education approach, combining basic education (GED classes), technical training and hands-on work experiences in simulated and real world manufacturing settings. This program is capable of serving as a national model.

The Enterprise Corporation of the Delta and New Markets in the Delta

Background
The Enterprise Corporation of the Delta (ECD) is a private, not-for-profit community development financial institution that seeks to produce and stimulate measurable improvements in the economy of the impoverished delta regions of Arkansas, Louisiana and Mississippi, and in lives of area residents.

ECD has established a strong track record of providing financing and management assistance to Delta firms and retaining and creating jobs. ECD works in close tandem with the region's banks, educational institutions, public agencies, non-profits and other related entities.

ECD's board is composed of some of the region's most prominent business and civic leaders. Notably this includes the chairman of Wal-Mart, the past chairman of the US Chamber of Commerce and a former Governor. ECD's staff represents vast experience in financing, business and community development.

The Delta
The Delta is one of the most economically distressed regions in the United States. Arkansas, Louisiana and Mississippi consistently rank among the lowest in the nation on most socioeconomic indicators, and the Delta generally ranks at the bottom of such indicators for each of the three states.

Characteristics of the Delta compared with the United States as a whole include:

	Delta	U.S.
Percent Age 25+ Not a High School	44.3%	24.8%
Percent Change in Population – 1990-	2.2%	5.1%
Percent African American – 1990	34.4%	12.1%
Percent Living Below Poverty Level	27.9%	13.1%
Median Household Income – 1990	$16,583	$30,056

In conjunction with Bain & Company, ECD analyzed the total dollar amount of commercial loans and venture capital in the Delta, Arkansas, Louisiana, Mississippi and the United States, compared with the size of the economy (e.g., gross revenues) for each area. This analysis identified a commercial financing gap in excess of $1 billion in the Delta compared with commercial financing provided in Arkansas, Louisiana and Mississippi. The gap is $2.45 billion when the Delta is compared with the United States as a whole.

Poor education, out-migration and scarcity of resources serve as a few of the major barriers to business development in the Delta. Heavily influenced by the historical dominance of plantation agriculture, low wages, limited training opportunities and inequalities persist and limit the social and economic development of the Region and its approximately 1.6 million residents.

Companies in the Delta report a similar absence of high-quality technical assistance. Studies consistently document that emerging companies consider non-financial assistance of comparable importance to capital availability. Traditional assistance providers typically do not locate in and do not target the Delta, for some of the same reasons that apply to banks. State economic development efforts focus on industrial recruiting in more populous areas. Similarly, high-quality private assistance providers are almost nonexistent in the region.

ECD Products & Services

- Business Financing – debt, venture capital, municipal bonds, joint ventures, loan participations
- Technical Assistance –Extensive use of private engineering, accounting, marketing, general management consultants; Partnerships with public business assistance programs; Delta-wide entrepreneurial training partnership with six universities and community colleges and others
- Delta Reinvestment Fund – loan administration and secondary market services for revolving loan funds and bank CRA programs

Partnerships

ECD has established strong partnerships with:

- *Corporations* –Wal-Mart, Entergy, Blue Cross/Blue Shield are among several corporations that provide funding and other support to ECD.
- *Banks* – Seventeen banks have invested in ECD's affiliate, ECD Investments, LLC. ECD regularly participates on projects with banks and other finance providers.
- *Foundations* – ECD receives funding from several national and regional foundations and often advises these groups in the area of business/community/rural development.
- *State and local government* – ECD initiated an agreement with the state economic development agencies for Arkansas, Louisiana and Mississippi that has resulted in increased use of state business development resources in the Delta.
- *Educational Institutions* – Six universities and community colleges administer the FastTrac entrepreneurial training program for ECD throughout the Delta.
- *Enterprise Communities* – ECD was a founder of the Southern Enterprise Communities Forum, a regional collaborative that includes Enterprise Communities in several mid-south states (Vice President Gore signed as a witness to the collaborative agreement)

ECD works with several federal agencies:

- *USDA* – ECD is a Business and Industry Guaranteed Lender.
- *Treasury* – ECD was one of the first recipients of CDFI funding and is an aggressive user of the Bank Enterprise Awards program.
- *Commerce* – ECD spearheaded an agreement between ECD, NIST and the NIST-funded manufacturing extension programs in Arkansas, Louisiana and Mississippi that increases technical assistance to Delta businesses. Also, ECD's Delta

Reinvestment Fund project seeks to provide secondary market and loan administration support to EDA-funded loan funds in our region.

- *SBA* – ECD anticipates approval as a SBA 7A lender within the coming weeks.

ECD Impact Summary *(through 3/30/99)*

- Businesses Assisted - 693
- Minority-owned – 292
- Female-owned - 345
- Financing Commitments
- ECD - $21 million
- Leveraged from other sources - $35 million
- Jobs Affected - 5,993
- Annual Sales Impact - $ 221 million

ECD is undertaking an ambitious five-year plan to build on its success. ECD's plans aim to increase the Delta's job growth rate from 3% to 4% over the next five years.

Successful implementation of this plan requires significant resources. To accomplish this growth ECD formed ECD Investments, LLC (ECDI) as a for-profit affiliate company to raise investment capital from private sources. To date 17 banks have invested in ECDI. (15 took advantage of the CDFI Fund's Bank Enterprise Awards program) Recently, ECDI created a class of investments designed to appeal to individual and institutional investors. Initial investors in this vehicle include Arkansas Blue Cross & Blue Shield and John Palmer, Chairman of SkyTel. While this support is promising, as with most distressed areas and communities, ECD needs to import capital from outside its home region. The New Markets initiatives proposed by President Clinton would provide a significant boost to these efforts.

New Markets in the Delta

ECD has demonstrated the capacity for developing "new markets" in the Delta. It has also proven that the private sector shares a common agenda with respect to economic development of poor communities. As a prime model for the potential of the President's efforts to promote investment in America's New Markets, ECD would seek to make extensive use of the New Markets programs to advance its work.

President Clinton's Visit to the Delta

ECD offers to assist in any way to make the President's visit to the Delta a success. The following pages outline a proposed New Markets Tour in the Delta.

Proposal for A New Markets Tour in the Delta

Company Visits:
President Clinton's New Markets delegation could visit one (or a combination) of the following companies:

Marianna Apparel – Terry Manufacturing of Roanoke, Alabama is a 30-year old minority-owned company. Terry has two main lines of business in the garment industry. The first line is traditional cut-and-sew for military and corporate contracts. The second line is a value-added operation that designs and produces screen printed and embroidered garments under licensing contracts or direct order. Terry was the first minority-owned company to be approved as an Olympic licensee, has non-exclusive licenses with 150 colleges and universities, and works directly with organizations around specific events such as this past Super Bowl.

BCDI made a $500,000 investment in Terry that included social covenants related to the establishment of a Delta operation. This financing leveraged $3.5MM in debt that resulted in the opening of a plant in Marianna Arkansas. Marianna Apparel manufactures uniforms for McDonalds restaurants nationwide. The plant has a production staff of 50 and projects growth to 80 by the end of 1999.

Westminster Village of the Mid South – ECD provided the Presbyterian Development Corporation with a guaranty that enabled the conversion of housing units (828 total) at the Eaker Air Force Base in Blytheville, Arkansas to a moderately priced retirement community. ECD's funds resulted in a bank consortium that provided $350,000 in financing for startup and marketing funds and subsequent financing of $3.1 million for project development. The project now houses 238 elderly residents from throughout the region.

Delta Laundry & Linen Service – Delta Laundry and Linen is a start-up commercial laundry and linen service. The company services hospitals, restaurants, and casinos in the Clarksdale and Tunica areas. ECD/ECDI provided debt financing and venture capital to this company.

DLL employs 28 workers, many of whom have transitioned off public assistance, not counting the owner. DPL has worked with the Skill-Tech Center in Clarksdale to train employees.

ECD provided $500,000 in equity and debt, which leveraged $1.25 million in additional financing from GE Capital (an SBA 504 loan) and North Delta Planning and Development District.

Announcements:
President Clinton can announce the following recent and unannounced investments in New Markets in the Delta through the Enterprise Corporation of the Delta and its affiliate, ECD Investments, LLC (ECDI).

John Palmer. Chairman of Skytel - $500,000
Arkansas Blue Cross & Blue Shield - $100,000
Bank of Anguila (Mississippi) - $25,000
First National Bank of Blytheville (Arkansas) - $25,000
Ford Foundation - $3 million
MacArthur Foundation - $2 million
Sisters of Charity of St. Elizabeth - $25,000
Sisters of Charity of the Incarnate Word - $100,000
Society of the Holy Child Jesus - $25,000

Treasury/CDFI BEA awards stimulated the bank investments. They are the most recent of 16 banks that used the program to invest nearly $4million in ECDI since 1997.

The Palmer and Blue Cross investments were made via a new class of investment in ECDI that is targeted for individual and corporate investors -- a great illustration of the potential of the New Markets Tax Credit.

The Ford and MacArthur investments will also be made in this vehicle with the intent of encouraging private sector investment in this innovative model that can be replicated among other CDFIs, particularly if NMTC legislation is passed.

Combined with a $2.5 million CDFI Fund award that closed in May (that helped leverage the private investments) the President can announce a total of **$8.3 million** investments in New Market activity in the Delta.

Representatives of investors listed above would participate in an announcement by the President. (Other corporate investments are pending and could be added prior to the President's visit.)

Other possible announcements:

Approval of ECDI as an SBA 7a lender (a New Markets Lending Company) -- The Office of Financial Institutions in Louisiana is in the final stages of approving ECDI's application to become a BIDCO. Upon this approval, the Louisiana SBA is expected to certify ECDI BIDCO as a 7a lender.

A BusinessLINC partnership between ECD's FastTrac entrepreneurial training program, Wal-Mart, Entergy and ECDI investor banks.

The recent approval of a USDA B&I guaranteed loan through ECD to the only African American rice processor in the U.S. Also, the NIST-funded Manufacturing

Extension Program (Department of Commerce) provided engineering assistance to the firm through a tri-state partnership with ECD.

Any of the above proposed company visits would provide a good backdrop for these announcements.

Business Roundtable
President Clinton could lead a roundtable discussion of corporations and others that have invested in "New Markets" in the Delta. Participants would include the officials from:

Wal-Mart
Entergy
Skytel
Blue Cross/Blue Shield
Ford Foundation
MacArthur Foundation
ECDI investor banks (including Bank of America and Bank One)
and other regional leaders.

The tour would highlight several aspects of the New Markets initiatives:

New Markets Venture Capital
New Market Lending Company
Business LINC
Private investment in the most distressed region of the US, stimulated by CDFI and BEA assistance
USDA, Treasury and Commerce playing a key, complementary role

USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY

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PLEASE DELIVER TO: LISA GREEN

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  - ☐ JANNA PASCHAL, STAFF ASSISTANT

MESSAGE:

Hope this is enough – Thanks.

JWP

KENTUCKY HIGHLANDS
INVESTMENT CORPORATION

Facsimile Transmittal

To: Justin Paschal

Fax: 202-720-5437

Phone:

Pages: 5, including cover page

Date: June 16, 1999

Dear Mr. Paschal:

Enclosed is the information that you requested about Kentucky Highlands Investment Corporation and the Kentucky Highlands Empowerment Zone. We have also included the demographic information which you requested. If you need further clarification of any points in the information we are sending, please feel free to call us.

Reply Requested : _

From the desk of....

Brenda McDaniel
Vice President
and Chief Financial Officer
P.O. Box 1738
London, KY 40743
1-606-864-5175
1-606-864-5194
bmcdaniel@khic.org

Kentucky Highlands Investment Corporation

Kentucky Highlands Investment Corporation (KHIC) is a community development corporation founded in 1968 for the specific purpose of providing venture capital investment to startup and expanding businesses located (or to be located) in Southern and Eastern Kentucky. KHIC's professional business approach to economic development has made it one of the most successful community economic development corporations in the country. KHIC's strength is its capacity to provide management assistance to those companies in which it invests. Employment in its portfolio companies exceeds 6,500.

KHIC's strategy is to develop an environment where entrepreneurship will thrive. It does so by providing both financial support and management assistance to new and existing businesses. It also seeks to introduce and develop entrepreneurial talent both within the region and from areas outside the region.

Kentucky Highlands is structured to address several separate but related investment objectives.

Kentucky Highlands Investment Corporation maintains an investment portfolio ranging from microloans to lines of credit in excess of $2.0 million.

KHIC has been designated as a ***Community Development Financial Institution*** by the United States Department of Treasury. It has been designated by the United States Department of Agriculture as a lender in the ***Business and Industry Loan Guaranty*** program. It is a core community development corporation for Rural Local Initiative Support Corporation (Rural LISC).

KHIC is an intermediary lender for two loan programs for the federal government, the ***United States Department of Agriculture Intermediary Relending Program and the Small Business Administration Microloan Program.***

KHIC has received funding from the U. S. Department of Housing and Urban Development to offer working capital lines of credit to new and expanding companies.

Kentucky Highlands Community Development Corporation (KHCDC) is a subsidiary of KHIC and it has been designated by the U. S. Department of Housing and Urban Development as a ***Tax Credit Community Development Corporation***. KHCDC received a $2.0 million investment from Bankers Trust Corporation through the Appalachian- Wall Street Limited Partnership.

Mountain Ventures, Inc., a subsidiary of KHIC, is a ***Small Business Investment Corporation (SBIC)*** licensed by the Small Business Administration and makes venture capital investments in Appalachian Kentucky.

As shown above, Kentucky Highlands Investment Corporation uses many of the programs described in the President's New Markets Initiatives. It operates in a distressed rural area of Appalachian Kentucky. It is a Community Development Financial Institution (CDFI). It is involved in Microenterprise lending and technical assistance. It operates a Small Business Investment Corporation. It is a Tax Credit Community Development Corporation.

In 1994, Kentucky Highlands was chosen as lead entity for a federal ***Rural Empowerment Zone.***

Kentucky Highlands Empowerment Zone

The Kentucky Highlands Empowerment Zone consists of Clinton, Jackson and Wayne Counties in the South Central portion of the state. Jackson County is approximately 60 miles southeast of Lexington and 30 miles east of London. It is in the eastern time zone. Clinton and Wayne Counties are approximately 100-120 miles south of Lexington and 30-45 miles west of Somerset. Both these counties are in the central time zone. The London-Corbin Airport has a 6,000-foot runway. The Somerset-Pulaski County Airport has a 5,600-foot runway.

The Kentucky Highlands Empowerment Zone has been aggressive in implementing their Strategic Plan. To date, the KHEZ has invested more than $21.6 million of SSBG funds, the largest amount of any rural and third highest of any Zone. Private investment committed in the KHEZ stands at $66.7 million and Public/Foundation investment totals $62 million. Through June 1, 1999, more than 1,900 new jobs have been created at private businesses financed through the KHEZ revolving loan fund with another 1,400 committed. All these numbers are documented.

Included among the initiatives in the Kentucky Highlands Empowerment Zone:

Economic Development - In Jackson County, five new manufacturers have opened since Zone designation and the largest existing employer has expanded two times. In the 1990's total employment in the County has increased from 3,999 to 6,527, with this 63% increase being the highest percentage in Kentucky. The current unemployment rate is 4.9% and falling. The December 1998 rate was 3.3%.

The focus of the development in Jackson County is at the controlled access 145-acre, well-landscaped industrial park at Annville. The largest employer is Mid-South Electrics, Inc., in Annville, Kentucky a manufacturer of telecommunication, electronic and appliance components. They are just completing a $5 million, 50,000 s.f. expansion financed by the USDA B&I Guaranty Program and the KHEZ. Total employment will increase from 800 to 950 with this expansion. Plant contains state-of-the-art clean rooms and complex telecommunications manufacturing. Other tenants in the industrial park all in Annville, Kentucky include JCR Industries, Inc., a self-supporting 24,000 s.f. job training facility with 103 employees started by the KHEZ; Phillips Diversified Manufacturing, a contract manufacturer with 109 employers just completing a 33,000 s.f. expansion; and, Image Entry, Inc. a data conversion company with 45 employees primarily doing work for NOAA. All facilities are new and all have received financing through the KHEZ. JCR Industries and Phillips Diversified have also received financing from USDA.

Youth Opportunity - In the KHEZ, the primary youth programs have been in Clinton County. With a $2.2 million grant from the U.S. Department of Labor, the local EZ Board has established the BRITE Center as a one-stop center for 16-24 year olds who need employment, education and training. The Center maintains 40-70 participants and is located in a rehabilitated building in Albany. Clinton County is also using $3 million in EZ funds to match $6.5 million in funds from the Commonwealth of Kentucky to construct a post-secondary education center. It is in the design phase and will be operated by the state. In Jackson County, JCR Industries in Annville provides youth employment training and the Jackson County Entrepreneurship Center, which was started by the KHEZ, provides training in the Jackson County High School.

Tapping America's Potential - Kentucky Highlands Investment Corporation, London, Kentucky, the Lead Entity for the Empowerment Zone, has been a leader in this area. They have successfully used the HUD Community Development Corporation Tax Credit to obtain a $2 million investment from Bankers Trust Company for use in and near the EZ. KHIC has also recapitalized its SBIC, Mountain Ventures, Inc., with funds from the EZ have lent $2 million from this licensee. They have also worked with several national companies, including American Woodmark Corporation, Cagle's/Keystone Foods and Specialty Defense Systems, Inc. in establishing branch plants in the Empowerment Zone.

Agricultural Diversification - Lost amid the headlines of the national tobacco talks and settlements has been the fate of the small tobacco farmer in rural areas of the South. Typically, these farmers grow 2,000 - 4000 pounds of tobacco and use the proceeds to supplement their farm incomes or outside jobs.

The Strategic Plan of the Kentucky Highlands Empowerment Zone (KHEZ) foresaw that the small farmer in the area would be losing an additional crop income and created a program to help ease the burden. The KHEZ Alternative Crop Fund is designed to provide zero interest loans up to $2,500 to farmers to develop non-tobacco crops or farming methods new to their operation.

Working with the County Extension Agent, these loans must be repaid if the project is deemed successful. If the experiment is determined to be a loss, repayment of the loan is adjusted according to the loss and may be forgiven. However, in all cases the farmer must provide the KHEZ a report on their techniques and results so the information can be shared with other farmers in the Zone.

During the first four years of operation, the KHEZ has approved more than 43 Alternative Crop Financing has been provided for everything from ginseng to ostriches to development of a home page for selling ornamental trees.

In addition, loans have been provided to KHEZ farmers for crop production purposes. In the first two years of operation, 20 loans have been made to area farmers. The program developed by the empowerment zone, provides low interest loans (5.5%) in a subordinate position to the local bank. The KHEZ production loan is shared 50/50 with the bank and is limited to $25,000 per farm.