



RURAL BUSINESS SERVICE

SINGLE AND MULTI-FAMILY HOUSING

COMMUNITY FACILITIES

WATER AND ENVIRONMENTAL

Message from the Agriculture Secretary



Strong rural communities are key to a stronger America. President Obama has acknowledged as much in his travel to rural communities, and through the creation of the first-ever White House Rural Council, and at USDA we share his conviction.

Over the decades, USDA has enhanced the vital contributions of rural America to our nation's prosperity, security and success. With the current economic challenges, USDA has responded focusing on efforts that maximize the use of program funding, streamlining processes and

promoting thriving economies and job creation in rural America.

Through Rural Development programs USDA continues to work alongside farmers, ranchers, homeowners, businesses, nonprofits, cooperatives, Tribes and local governments to effectively enhance the country's economic climate. These partnerships allow us to leverage private and public funding to promote local and regional business development, infrastructure build-out and access to affordable credit in rural areas. During the last fiscal year, the cumulative results of these efforts have helped save or create thousands of jobs in rural America and beyond.

But there is more work to be done. Now more than ever, we must stretch limited government dollars and strategically direct funding that encourages private investment and creates economic opportunity in both the short- and long-term. In an unprecedented effort, President Obama last year created the White House Rural Council designed to build on the Administration's robust economic strategy for rural America.

The Rural Council, which I chair, is comprised of twenty-five heads of federal executive branch departments and agencies. As the President stated in his Executive Order creating the Council, its purpose is to enhance the Federal Government's efforts to address the needs of rural America and to better coordinate Federal programs and maximize the impact of Federal investment to promote economic prosperity and quality of life in our rural communities. Numerous cabinet members and senior officials have participated in over 100 White House Rural Roundtables across the country to seek input on how the Federal Government can be a better partner to those who live in rural communities. These White House Roundtables complement an effort at USDA this year to talk to stakeholders this year about how we can improve our processes.

As a result of these initiatives, we have heard from folks across the country on a number of key topics ranging from ways to build small business and strengthen the middle class in rural America, to plans for building economic opportunity for

rural business through infrastructure investment. Many emphasized the need to fully capitalize on the emerging opportunities, especially in growth sectors that offer the most promise yet face the most difficult competitive challenges, including technological innovations and development of renewable energy. Moving forward, these insights and priorities will inform our delivery of programs and services and help generate the greatest economic benefits across the country.

This responsiveness and innovation is nothing new for USDA. Our employees understand the prosperity challenges of rural America and how each community's needs are unique. Our dedicated Rural Development staff, who live and work in the communities they serve, are able to hear and respond quickly to local issues. Through a variety of business, economic development, utility and housing programs, our Rural Development specialists are doing more for rural communities than ever before.

Sincerely,
Thomas Vilsack
Secretary of Agriculture



Mutual Self-Help Housing project in Monticello

Message from the Under Secretary



In Fiscal Year 2011, USDA Rural Development delivered programs to the American people that created jobs and new economic opportunities in rural communities. I am proud to report that our three mission areas, Housing, Utilities and Business and Cooperative Programs, have

collectively helped save or create thousands of jobs in rural America.

By encouraging both public and private investment, local businesses enjoy spillover economic benefits that come with people being put to work and having money to spend.

But that's just part of the story. In addition to generating jobs today, Rural Development investments are creating ongoing economic opportunities in rural

America that will pay benefits for years to come. Our programs help modernize essential water systems, build clinics and hospitals, support renewable energy systems, energy conservation, and ensure affordable housing for credit-worthy limited income rural residents. Our

efforts boost the reliability of the electric grid, improve educational opportunities, ensure clean water, and provide affordable, reliable Internet service to rural homes and businesses. These are all building blocks needed to grow businesses, add housing, attract employers, and develop a skilled workforce. As in urban areas, this kind of civic infrastructure provides the capacity necessary for private sector jobs to flourish in rural areas.

In 2011, Rural Development allocated a total of \$28 billion nationwide to maximize private investments in rural communities. Of this, 29.6 percent was directed in the form of direct loans that get paid back with interest. Another 66.7 percent funded fee-generating

loan guarantees that make it possible for private lenders to work within the banking system to safely increase the pool of capital available in rural areas for credit-worthy businesses, communities and home-buyers. Just 3.7 percent of RD funding was directed in the form of strategically selected grants.

Although grants comprise a small fraction of our funding, they provide the support that would otherwise be unavailable—but is absolutely necessary—to move good projects forward. Additionally, grants stimulate investments in local economies through other private and public sources.

Through our Rural Utilities programs last year, Rural Development provided nearly 600 grants and more than 800 direct loans to help small communities install or upgrade water systems, dispose of waste, upgrade landfills to protect environmental quality, improve the electric grid and deploy broadband. USDA also provided technical assistance and training grants to communities to ensure that the newly installed systems are maintained. This infrastructure funding in 2011 totaled more than \$7 billion.

Rural Development leveraged another \$721 million in the form of 430 loans and 890 grants through the Community Facilities program. This funding made it possible to build or upgrade schools, libraries, childcare facilities, hospitals, assisted living facilities, community centers and fire, police and rescue stations across the nation.

Through the Rural Housing Single Family Guarantee program, Rural Development provided loan guarantees that helped more than 130,000 families secure affordable home financing through private lenders. The Single Family Direct Loan program helped another 13,500 lower-income families purchase or repair their homes on affordable terms. Combined, these single family housing programs have not only helped support a struggling

housing market, but they have also injected more than \$17 billion into local economies.

More than 15,000 rural businesses last year received assistance as a result of our Rural Business and Cooperative programs, which provide affordable financing options, support for relending programs, economic development grants and assistance for energy efficiency and renewable energy generation systems. These measures reduce the cost of doing business, add opportunities for new income, and encourage business development and expansion in rural areas.

Our Rural Development programs help create and sustain good paying jobs, and will have a lasting impact across the country. In addition to the investments of countless businesses, nonprofits, cooperatives, Tribes and local governments that partner with us, much credit is due to our talented, efficient and dedicated workforce of USDA employees who deliver Rural Development assistance in small communities and remote areas across all 50 states and the territories of the United States. Their continued commitment to rebuilding and revitalizing rural America is shared by myself, Secretary Vilsack and President Obama. In the upcoming year, we will continue to work with communities, residents and others to ensure that rural America continues to be a healthy, safe and prosperous place to live, work and raise a family.

Dallas Tonsager
Under Secretary
USDA Rural Development

Investment Type	Amount	Percentage
Direct Loans	\$8.4 billion	29.6%
Loan Guarantees	\$18.8 billion	66.7%
Grants	\$1 billion	3.7%
Total	\$28,178,856,412	

Jobs Created or Saved – Key Rural Development Programs*

Single Family Housing Direct and Guaranteed Loans**	224,831
Business and Industry Loan Guarantees***	27,806
Specialty Business Programs***	37,241
Rural Utility Programs**	150,000

* Estimates are not available for all programs.

** Estimates are based on models projecting number of jobs created per \$1 million invested.

*** Estimates are based on information provided by program applicants.

State Director's Message

Investments for FY11 reach nearly \$530 million



Looking back on 2011, it is apparent that Rural Development's programs are having a tremendous economic impact across the Commonwealth of Kentucky. During this time period, the agency obligated and administered nearly \$530 million to improve infrastructure and foster economic growth in rural communities across the state. Although we faced some funding challenges, 2011 was an incredibly productive year and we continue to make great strides to increase economic development and improve the quality of life for those who live and work in rural communities.

With USDA Rural Development funding, communities are building new libraries, purchasing public safety equipment and upgrading water and sewer systems. Businesses are expanding their product lines and creating jobs. Rural residents and businesses in geographically isolated areas are receiving broadband service. Agriculture producers are diversifying and marketing their products – and last, but not least – families are achieving the dream of home ownership.

Our combined efforts, through each of the agency's three mission areas, have created and/or saved hundreds of jobs, implemented energy efficient improvements and increased economic opportunities in rural communities – and that is something of which we can all be proud. Moreover, we are helping rural communities build infrastructure that will create additional economic opportunities that will pay benefits now and in the future. These successes were made possible through team collaboration, strategic partnerships and the leveraging of resources.

As we look to the future, it is clear that every federal agency needs to be conscious of cutting costs and increasing efficiency and effectively utilizing the funding allocated each fiscal year. USDA is working to become leaner and smarter by looking for ways to reform the way it does business. It is just one part of the Obama Administration's plan to "Win the Future" and includes a vision of making, creating and innovating that is shared and embraced by Rural Development.

Winning the future can become a reality and by working together, we can play a major role in revitalizing the economy, building a foundation for American competitiveness and creating a stronger country for our children and grandchildren.

Sincerely,
Thomas G. Fern
Kentucky State Director



Deputy Secretary Kathleen Merrigan visits with the state directors for FSA and RD.



A local manufacturer discusses equipment purchased with a B&I loan guarantee.



Kentucky's USDA agencies work together on the Feds Feed Families food drive.



Kentucky proud products are on display at the new market pavilion in Owingsville.



An artist's rendering shows the proposed expansion of Pikeville Medical Center.



The Sharpsburg Water District breaks ground on a new water line project.



University of Pikeville's New College of Osteopathic Medicine

Community Facilities

Assistance is provided to entities such as libraries, schools and first responders (e.g. ambulance, police, fire and hospitals), through a variety of programs that assist in funding construction, operating costs, repairs and equipment.

Investments across the state exceeded \$31.9 million this fiscal year.



Bath County Agriculture and Marketing Education Center

Business and Cooperative Programs

These programs offer economic and community development opportunities to Kentucky entrepreneurs and small businesses. Programs are available to launch, acquire or expand a business; purchase land or construct buildings; establish community development projects; develop rural cooperatives; advance value-added opportunities; establish economic development plans and feasibility studies; fund renewable energy projects; and much more.

Investments across the state exceeded \$50.6 million this fiscal year.

Single and Multi-Family Housing

Rural Development offers single and multi-family housing options to rural Kentuckians to meet a variety of housing needs. Through the Single-Family Housing programs, low- and very-low income families can buy or build a home, or repair and rehabilitate their existing homes. The Multi-Family Housing program partners with private and non-profit developers to provide affordable rental housing, as well as subsidized rental options for low and very-low income families and the elderly.

Investments across the state exceeded \$389 million this fiscal year.

Rural Utilities Service

These programs provide assistance with building, repairing or improving rural water and wastewater systems, and provide technical assistance and training to solid waste facilities. Programs also exist for telecommunications, health care facilities and broadband.

Investments across the state exceeded \$55.5 million this fiscal year.

Broadband

The Community Connect program provides grants to rural, economically challenged communities. Funds can be used to construct, acquire or lease facilities to deploy broadband to community facilities such as schools and public safety buildings, as well as residents and businesses in the community. Each project requires a matching contribution and must serve an area where broadband is not available.

Investments across the state exceeded \$2 million this fiscal year.

Water and Environmental

Earth Day in North Middletown



USDA Rural Development works to assure access to affordable, high-quality utility infrastructure for all people in rural America. Rural Development acts as a catalyst for private sector investment in rural areas through its utilities programs.

The agency administers a water and wastewater loan and grant program to improve the quality of life and promote economic development in rural America. This assistance is available through Rural Development's Rural Utilities programs. USDA Rural Development's Water and Environmental Programs improve the quality of life and promote economic development in rural America.

Direct loans are made to develop drinking water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and in cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties and special purpose districts. Funds also may be made available to nonprofit corporations and cooperatives. Priority is given to public entities, in areas with less than 5,500 people, to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste disposal facility. Preference also is given to requests involving the merge of small facilities and those serving low-income communities.

In FY11, Rural Development's Water and Environmental programs obligated more than \$55 million in loan and grant funds. Additionally, Kentucky's Rural Development staff administered more than \$5 million in grants awarded by the Appalachian Regional Commission (ARC).

- 25 Direct Loans = \$41.8 million
- 22 Grants = \$13.7 million
- 13 ARC Grants = \$5.4 million

Several Recovery Act projects were completed in FY11, including:

- The city of Lancaster finished a \$2.3 million project to upgrade the city's aging, deteriorating water lines – many of which had been in service since the 1940s.
- In Barlow, the city's new wastewater treatment facility is up and running. The \$4 million treatment plant was built using \$1.3 million in RD loan and grant funding. Other funding sources included two Community Development Block Grants and two grants from the state of Kentucky.
- A \$1.4 million project to provide sewer service to residents in Boyle and Lincoln counties also was completed.



Notable projects that began construction during FY11 include:

- The city of Stanford was awarded more than \$6 million to build a new wastewater treatment plant, which will replace an aging facility that has reached its useful life and can no longer meet the needs of its 2,000 residents, 23 commercial customers and eight industrial customers.
- A loan/grant combo in the amount of \$17.75 million was made available to Central City to expand and upgrade its water treatment plant with the construction of a new facility. The existing facility was operating beyond its design capacity and was running 24 hours a day to meet demand.
- The city of Lebanon began work on new water lines that will provide new service to the area's industrial park. Rural Development awarded the water district a loan for \$1.43 million and grant for \$615,000.



Water Project Leads to Industry Expansion, Jobs Creation

It is the goal of every Rural Development program to help improve the economy and the quality of life in rural communities across this country. With some projects, the impact of agency investment is not always obvious in the early stages. Once in a while, however, you have a project that immediately creates an economic domino effect.

A great example of such a project is taking place in Mercer County, Ky., and involves the expansion and upgrade of the Harrodsburg Water Treatment Plant. Rural Development's \$11 million loan/grant combo will increase the plant's capacity from four to six million gallons per day.

Just as city officials prepared to break ground on the water expansion project earlier this year, a local manufacturer announced plans for a \$220 million expansion project of its own – one that is a direct

result of Rural Development's investment in the water treatment plant.

Wausau Paper began work this summer to expand its Harrodsburg plant, which has been in operation. The project will create nearly 400 jobs – both in the facility and during construction – and increase the plant's production of towel and tissue products by about 75,000 tons annually.

Wausau CEO Thomas Howatt has said this investment was the largest in Wausau's history. As a result of the expansion, the company will add 76 permanent new jobs to add to its current workforce of 397. The expansion project also will create an additional 300 construction jobs during peak building, according to Howatt.

The treatment plant is the potable water supply for

nearly 10,000 customers in Central Kentucky, including three wholesale customers. Mercer County has seen steady population growth over the last 60 years – a trend that was confirmed with the release of the 2010 Census data. That growth is projected to continue through 2025 and beyond.

The city needed Rural Development's assistance because its existing plant is aging and much of the equipment is outdated. The plant needed to expand and improve its process due to the increased demand for water, as well as EPA regulations pertaining to disinfection byproducts.

Rural Development worked with state officials to make the project happen. Other funding sources include a \$1 million grant from the HUD Community Development Block Grant program.

Single & Multi-Family Housing

Single Family Housing

Single Family Housing Programs (SFH) provide home ownership opportunities to low and moderate-income rural Americans through several loan, grant and loan guarantee programs. The programs also make funding available to individuals to finance vital improvements necessary to make their homes decent, safe, and sanitary. In FY11, Kentucky's SFH staff assisted more than 3,900 families and obligated nearly \$390 million through the agency's repair loan and grant programs and Direct and Guaranteed loan programs.



The Rural Housing Guaranteed Loan Program assisted 3,083 families with \$351.8 million.



The Rural Housing Direct Loan Program assisted 356 families with \$34.9 million.



Rural Repair and Rehabilitation Loan and Grant Program assisted 467 families with \$2.6 million.



Multi-Family Housing

Multi-Family Housing Programs (MFH) offer Rural Rental Housing Loans to provide affordable multi-family rental housing for very-low, low and moderate-income families; the elderly; and persons with disabilities. In FY11, Kentucky's MFH staff administered more than \$33 million.

These programs provide assistance to construct or substantially rehabilitate apartment communities and related facilities. In some cases, rental subsidies are available to eligible families.

- Section 515 Transfers/Rehabilitation = \$15.86 million (third party funds)
- Guaranteed Rental Housing = \$1.9 million
- Housing Preservation Grants = \$286,000
- Preservation and Revitalization = \$2.7 million
- Rental Assistance Program = \$12.8 million
- Tenant Vouchers = \$19,932



Vanceburg Woman's First Home is Greenest in the State

To Elizabeth Bonner, the single greatest thing about her new home is the serenity she feels as she sits on her covered back porch, listening to the water as it rolls over the rocks that line the creek bed bordering the back of her property.

She listens not only to the water, but to the frogs as well – a sound that some people might consider annoying. Bonner, however, would tell you it is like music to her ears. Her new home is nestled between two tree-covered hillsides on a gravel roadway that leads to the property where she spent the first 18 years of her life. For Bonner, she is not just getting a home of her own – she is coming home.

Bonner, a 73-year-old widow, made the decision to purchase her first home in the spring of 2011. She had been renting an apartment in the city of Vanceburg, but was not happy with the lack of privacy, not having any green space and the steps she had to traverse in order to get to the laundry room.

"I wasn't born in town and I don't like living in town. I like the country and the feel of this place," said Bonner. "In town

I had no privacy or freedom. This place is me ... I love the country. I'm back home."

She was initially attracted to her new home's location because of its proximity to her family's former homestead. Bonner is now pleased with every aspect of it, particularly the interior elements that she chose. Although she was fearful of taking on the responsibility of a mortgage at her age, Bonner did not let that stop her from realizing her dream of being a homeowner. Little did she know the significance of the home she would eventually end up purchasing. It is setting the standard for affordable, energy-efficient homes. The house, located in Vanceburg, will use 75 percent less energy than a standard, newly constructed home. For a senior citizen on a fixed income, the reduced utility bills will make this new home incredibly affordable. This reduction is accomplished using Passive House principles – one of the highest standards of energy-efficient construction – and includes nearly air-tight construction, superior insulation and highly-efficient equipment

such as triple pane windows that provide passive solar heat in the winter, an energy recovery ventilator system and a hybrid heat pump water heater. The home also contains an array of eight solar panels on the roof that provide most of the needed electricity through a clean, renewable energy source.

To make this project a reality, Rural Development worked with a host of strategic partners, including People's Self-Help Housing, Inc., the Department of Housing and Urban Development (HUD) and the Federation of Appalachian Housing Enterprises (FAHE), to make the home affordable. It cost People's Self-Help Housing approximately \$130,000 to build the home – but the new homeowner will repay less than 60 percent of that amount with a Rural Development \$75,000 Direct Loan. FAHE will provide HOME funds for a \$15,000 "forgivable loan" which will not have to be repaid if Bonner stays in the home for 10 years. The remainder of the money was provided by HUD's Rural Housing and Economic Development program.



Self-Help Project Under Way

Dozens of people gathered in the city of Monticello on August 3, 2011, to break ground on a project in which five local families began the process of building their own homes through USDA's Mutual Self-Help Housing Program.

Great partnerships can lead to great projects – and this event highlighted several strategic partners that worked incredibly hard to make it happen, including Rural Development, Kentucky Highlands Investment Corporation, Southern Tier Housing Corporation, the Federation of Appalachian Housing Enterprises (FAHE) and the families of Pedro and Omaira Ruiz, Mary and Silvino Castillo, Yvonne Hernandez, Brenda McGuire and Patsy Perdue.

This project began several years ago when Kentucky Highlands received a Rural Development Mutual Self Help Housing grant for \$250,000 in April 2008. That money was designated for technical assistance to help 12 families that wanted to help build new homes.

The selected families also were approved for Rural Development Single Family Direct Loan funds, in addition to forgivable loans from FAHE, to pay for the cost of building the homes.

The self-help housing “sweat equity” concept is not new. Organized self-help housing started with the Quakers a number of years ago. This became a tradition of rural people, who had the determination and help of neighbors, to construct barns, homes and schools that became America's rural communities.

The Self-Help program is used primarily to help very low and low-income households build their own homes and is targeted to families who are unable to buy clean, safe housing through conventional methods.

Families participating in a mutual self-help project perform approximately 65 percent of the construction labor on each other's homes under qualified supervision, and the reduced labor costs make it easier for the families to own a home.

Disabled Woman Uses Repair Loan for New Roof

When Darlene Bush's roof started leaking, she knew she could not afford to have it repaired or replaced. She is disabled, lives on a fixed income and her family of five has limited resources.

She had no idea where to go for help until she read a local news article that mentioned Rural Development's Repair Loan and Grant Program. Although she was skeptical that the agency would be able to help her, she picked up the phone and called the USDA Service Center nearest to her Western Kentucky home.

Recognizing the unsafe circumstances that result from a leaky roof and the potential impact on the home's structural integrity, the Rural Development staff assisted Bush in filling out an application and were confident they could help her.

The Bush family's income is derived from Social Security benefits, and with limited income, they could not obtain financing from a traditional lender to make the much-needed and costly repairs. Rural Development's repair program was the perfect solution and the Bush family are incredibly relieved and thankful for the assistance that Rural Development has provided them.

“The convenience of being able to get into the dry is beyond what words can tell,” said Bush.



Preston's Crossing Opens New 24-Unit Apartment Complex

Residents in the rural Eastern Kentucky community of Prestonsburg have a new place to call home after Preston's Crossing opened the doors on a newly constructed multi-family housing complex. Prestonsburg is located in Floyd County, which is one of the Kentucky's 43 persistent poverty counties.

Decent, affordable housing is scarce in this rural area and the property management company was able to lease all 24 of the two- and three-bedroom apartments in less than 30 days. There is currently a waiting list for those who were not fortunate enough to rent one of the units once they became available.

Rural Development provided a Revitalization Guaranteed Loan in the amount of \$225,000. Other funding, which was secured through Kentucky Housing Corporation, includes \$507,000 in tax credits; \$1 million through the tax credit assistance program; and \$1.72 million through the tax credit exchange program.

Tom Simons, Senior Vice President of the Woda Group, which is the property management company responsible for getting this project off the ground, said he began looking for a multi-family housing site

in Prestonsburg in 2006. In rural Eastern Kentucky – especially in a mountainous region such as Floyd County – it is difficult to find building sites already equipped with water, sewer and utilities.

After finding a site he liked, Simons worked with a very patient property owner who had to wait two years until financing for the project could be finalized.

Each apartment includes oak finished cabinetry, in-house security systems, Energy-Star rated appliances and central heat and air conditioning. Residents also have access to an on-site computer lab with free

Internet access, a community center, two playgrounds and BBQ and picnic areas.

Rural Development State Director Tom Fern thanked all the partners involved in bringing this project to completion.

"I don't have to tell you how important the work is that we do each and every day to help bring affordable, decent housing opportunities to rural Kentuckians," said Fern. "Just like our partners, Rural Development is working hard to eliminate substandard housing from rural communities by helping rural people buy, build or rent affordable housing."



Augusta MFH Rehab Project is Complete

Residents of Bracken County have a new and improved place to call home as Bracken Creek Apartments hosted a formal grand opening of its new multi-family apartment complex in October 2010. This project replaces an older apartment complex that was built in 1982. Nearly 30 years old, the property was in need of modernization and rehabilitation as many of the units had obsolete or worn components. The new facility has 40 units and is increasing the number of amenities available to residents, including a new community building. Rural Development provided a loan guarantee for nearly \$1.1 million with financing provided by Bonneville Mortgage Company of Salt Lake City, Utah. These funds were used in conjunction with \$1.92 million in Tax Credit Exchange Funds made available under the American Recovery and Reinvestment Act of 2009 through Kentucky Housing Corporation.

Business and Cooperative

Cooperative Programs

The mission of Rural Development's Cooperative Assistance Programs is to promote understanding and use of the cooperative form of business as a viable organizational option for the marketing and distribution of agricultural products. These programs serve cooperative members, directors, management, educational institutions, organizations, rural residents, and all others with an interest in the cooperative form of business.

Business Programs

USDA Rural Development is the leading advocate for rural America. The mission area supports rural communities and enhances quality of life for rural residents by improving economic opportunities, community infrastructure, environmental health and the sustainability of agricultural production.

To support rural regional economic prosperity, USDA Rural Development provides job training and business development opportunities for rural residents, including cooperative business development, community economic development and strategic community planning and faith-based and self-help initiatives. Funding for most of these efforts is administered by USDA Rural Business Programs.

Rural Development also offers programs to provide the educational opportunities, training, technical support and tools for rural residents to start small businesses and to access jobs in agricultural markets, the green economy, and other existing markets, as well as acquire training in vocational and entrepreneurship skills they can use in the marketplace and business sector.

In FY11, the RBS staff obligated more than \$50 million in a variety of programs.

- B&I Guaranteed Loan Program = \$41 million
- Intermediary Relending Program = \$968,000
- Rural Economic Development Loan/Grant = \$2.2 million
- Rural Cooperative Development Grant = \$225,000
- Rural Business Enterprise Grant = \$1.09 million
- Delta Regional Authority = \$50,000
- Rural Microentrepreneur Assistance Program = \$40,000
- 9007 Guaranteed (REAP) = \$88,520
- 9007 Grant (REAP) = \$1.4 million
- Biofuel Payments = \$3.3 million



Artist's rendering of the new Hospice of Hope facility in Maysville

Online Game Retailer Continues to Grow, Create Jobs

Fun and games are a big business for Jon and Lana Huston. They own TrollAndToad.Com, an online retailer of games. What started in their home in 1993 selling just one type of game but has since moved into a 1 million square-foot building in the city of Corbin that used to be home to American Greetings.

With a growth rate of 299 percent of the past three years, the company placed No. 51 in the retail sector in the 2010 INC Magazine's list of the 5000 fastest growing companies in the United States.

That growth was assisted by Rural Development's Business and Industry Guaranteed Loan Program. The company received \$4.9 million to finance the building purchase and expansion.

"I started out selling Magic: The Gathering game, which is a collectible card game similar to Pokémon," Jon Huston said. "That was the only thing we sold until 2002. Then, I had the idea to have a store that sold every type of hobby game. I was not aware of any other store in the world doing that. Now, eight years later, we are by far



the largest such store in the world."

TrollAndToad expanded its product line again to include role playing games, collectible plastic gaming

miniatures, and gaming supplies, which include card sleeves, card binders, storage boxes, dice, etc. It currently employs 162 people and plans to create an additional 40 jobs in the next two years, which would make it the fourth largest private employer in Corbin.

The company specializes in hobby games, collectable gaming cards, collectable gaming miniatures, and board games specializing in out of print, collectible, and single unit games as well as current games. Products range from a 1936 Monopoly game to a Pokémon card printed three weeks ago by Nintendo.

TrollAndToad's sales are solely internet-based and approximately 33 percent of all revenue coming from international sales.

The company used to operate out of four separate buildings totalling approximately 40,000 square feet at its Barbourville location. At the new site in Corbin, the business will occupy approximately one-fourth of the available square footage and lease out the remaining 750,000 square feet.

Call Center Providing Jobs in Southeastern Kentucky

For Chris Deaton, President and CEO of Senture, locating a family-owned business in a small rural community like London, Ky., is a no-brainer. He recognizes that dedicated and productive employees, as well as economic development support of strategic partners in the community, are keys to a successful business.

Senture is headquartered in London with satellite offices in Monticello, Ky., and Ocala, Fla. Since its inception, Senture has averaged 129 percent annual growth rate by providing call-center and other support services to private companies nationwide and various state and federal government agencies.

The leadership and staff of Senture have been helped along the way by strategic partners such as USDA Rural Development, South Kentucky Economic Development

(SKED) and Kentucky Highlands Investment Corporation (KHIC). In the past five years, Rural Development has approved two loans through its Rural Economic Development Loan and Grant (REDLG) Program that were administered through South Kentucky RECC and Jackson Energy Cooperative – each for \$740,000. Deaton appreciates the support of each partner and credits them with helping his company grow and create jobs.

Funding provided through the REDLG program has created approximately 550 jobs in Laurel and surrounding counties – and Deaton expects that number to grow.

"One of the important things for companies such as ours in rural America is the need for funding. USDA and Jackson Energy have provided exceptional resources for us to grow," said Deaton.

Deaton went on to say that Federal funding is very

important to private sector development and even more so in a rural environment such as Laurel County.

USDA funding was used to build the satellite location in Monticello as well

as infrastructure development through the purchase of equipment to be used inside the call center. It also included upgrades to electronic equipment, which helps the company improve its service offerings by installing the most up-to-date telecom equipment.



Community Facilities

Community Programs provide loans, grants and loan guarantees for projects to develop essential community facilities for public use in rural areas. This may include hospitals, fire protection, public safety, libraries, schools, day care centers as well as many other community-based initiatives.

Community Facilities Direct and Guaranteed Loan Program

Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments in rural areas and towns of up to 20,000 in population.

Community Facilities Grants

Grants are available to assist in the development of essential community facilities in rural areas and towns of up to 20,000 in population and are authorized on a graduated scale. Applicants located in small communities with smaller populations and low incomes will receive a higher percentage of grants. Grants are available to public entities such as municipalities, counties, and special-purpose districts, as well as non-profit corporations and tribal governments.

In FY 11, Rural Development obligated more than \$32 million through its Community Facilities loan and grant programs.

- ♦ 8 direct loans = \$10.7 million
- ♦ 1 guaranteed loan = \$20.1 million
- ♦ 25 grants = \$1.06 million

Thanks to additional funding through USDA's Rural Libraries Initiative that was announced in December 2009, six rural counties are getting new libraries.

Funding to build the new libraries in Owen, Lewis, Trimble, Breckinridge, Gallatin and Hancock counties was obligated through Rural Development's Community Facilities Program. The new Trimble County Library is complete and open to the public. The other five are under construction.

Notable projects announced this year include:

— The Caldwell County Board of Health was selected to receive a \$616,000 loan to construct a new 12,000-square-foot health department in Princeton. The present facility is a building one-fourth that size that is in constant need of repair due to age and deterioration. It also lacks necessary accessibility for persons with disabilities, adequate parking and storage capacity for patient records.

— Foothills Academy in Albany received a grant in the amount of \$100,000 to purchase equipment to operate and maintain two residential facilities for at-risk youth. The grant will be used to purchase computers, transportation vehicles and other equipment necessary to operate the 82-bed facility in Clinton County that serves boys ages 13-18, as well as a 48-bed facility Wayne County that serves girls ages 14-18.

— Hospice of Hope in Maysville was awarded \$3 million to construct a 29,687-square-foot assisted-living facility with 32 units and an 18,543-square-foot inpatient facility with eight units for the terminally ill. The facilities will serve rural residents in Bracken, Fleming, Lewis, Mason, Pendleton, and Robertson counties in Kentucky, in addition to five counties in Southern Ohio.





Work Continues on University of Pikeville Medical School Facility

As the leaders of Pikeville College gathered with local, state and federal officials to break ground on a new medical school in the fall of 2010, it was clear this construction project was a team effort. State Director Tom Fern was joined by Governor Steve Beshear, former Governor Paul Patton – who currently serves as president of Pikeville College – and U.S. Rep. Hal Rogers (5th) as plans were laid out for the construction of a new nine-story facility to house the School of Osteopathic Medicine, a new cafeteria and a commons area for students.

Rural Development was able to provide \$26.5 million in Recovery Act funds through the Community Facilities (CF) direct loan program to build a new instructional facility for the medical college. Construction is more than halfway complete, and the medical students that will use the facility can't wait to move into their new classrooms.

Patton said CF projects like this, as well as another Rural Development-funded project under construction at nearby Pikeville Medical Center, are key to the long-term success of Appalachia.

"The medical school has been a great success and we needed to enlarge and improve the facility – and the Rural Development funding made that feasible," said Patton. "This is an investment that will be here for 100 years. This project is crucial to the

success of the University of Pikeville and this university is going to develop intellectual capital for this whole region – so this is a domino effect project."

"This medical school not only provides doctors for rural under-served areas of the country, but we provide opportunity for our brilliant students to get a medical education. It gives our students the opportunity to get into medicine and gives our people better health care when they get out."

The new facility will include more than 65,000 square feet of space that will house two lecture halls, a gross anatomy lab, two research labs, offices, small group classrooms and student study space. Additionally, it will contain a clinical skills training and evaluation center with 12 specially-equipped examination rooms that will serve as training and testing rooms for students in programs using standardized patients and high-fidelity robotic patient simulators. The building also will house a free community clinic.

Erica Harris is a fourth year student in the Osteopathic Medicine program at the University of Pikeville said she chose the school after visiting the area and talking with students that had successfully completed their medical training there.

"I'm a graduate from the University of Tennessee and it was difficult for me to find a medical school to attend –

until I heard about the program at the University of Pikeville," said Harris. "The medical students will benefit tremendously from having this facility. Not just because they will finally have their own building, but because there will be new, state-of-the-art equipment and labs, and everyone will be able to take the same classes at the same time. Everything will be in the same building – the whole staff will be there, all the teachers will be there and you won't have any distractions."

This state-of-the-art facility will enable more students, especially those in the Appalachian Region, to pursue their goal of higher education in the medical field. The college provides local students the opportunity to get into medical schools and helps supply doctors for traditionally underserved areas in rural communities.

The city of Pikeville is located in Central Appalachia and is surrounded by most of the state's 43 persistent poverty counties. Pike County is not designated as such, and serves as the legal, financial and education hub for Eastern Kentucky. It also is the gateway to rural communities in Virginia and West Virginia.

Other funding sources include a \$500,000 ARC grant, a grant for \$500,000 from the James Graham Foundation and an application contribution of \$2 million. Construction is expected to be completed in May 2012.



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