

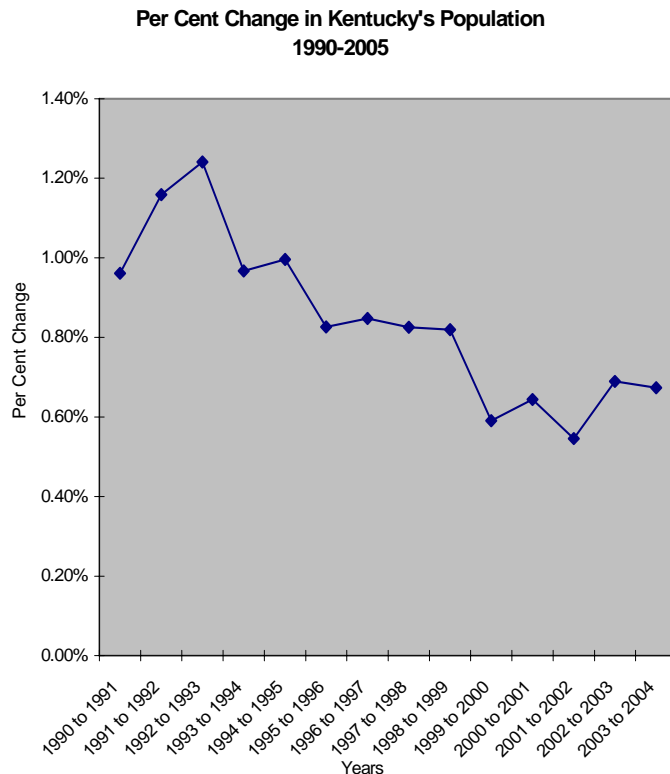
Assessment of Current Conditions

“Who and what we are....”

“Who we are”

Population

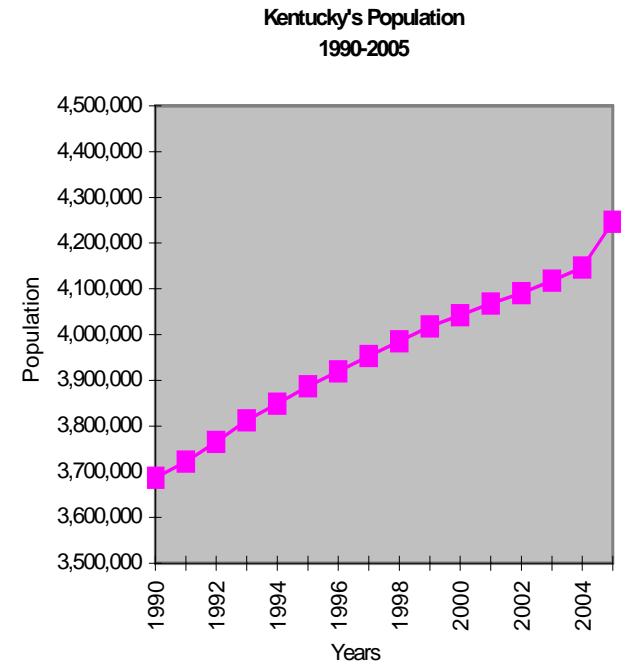
Kentucky’s 2005 population estimate of 4,173,405 reflects an average increase of 0.65 percent per year from the 2000 census. This average annual increase is down slightly from the 0.77 percent increase in the previous four years and down substantially from the 1.02 percent average annual increase seen through the 1990s (1990 – 1996). These figures reflect a pattern of Kentucky’s population increasing slightly each year, although at a much slower pace since 2000 than seen in the early 1990s.



Source: US Dept. of Commerce Bureau of the Census

Several Northern Kentucky counties continue to show significant increases. Boone, Grant, Gallatin and Spencer counties have all seen population increases of at least 42 percent from 1990 – 2000.

However, seven Kentucky rural counties located in eastern Kentucky along the Virginia State line (Pike, Leslie, Letcher and Harlan Counties) and Hickman, Fulton and Union counties in western Kentucky continued to experience decreases in population of at least five percent from 1990 to 2000.

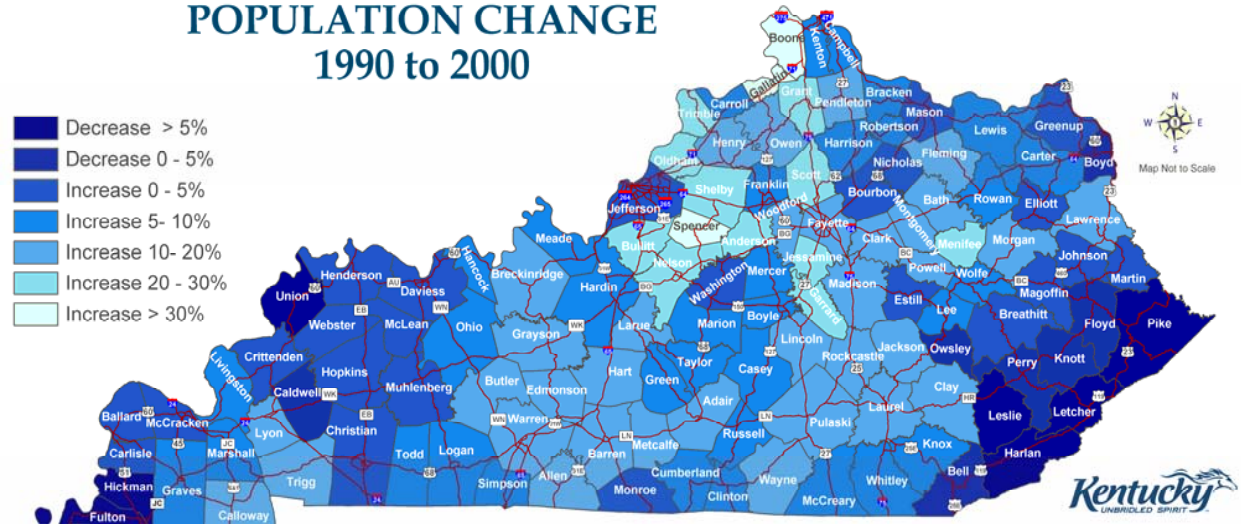


Source: US Dept of Commerce Bureau of the Census

Population projections for Kentucky show a projected increase of 17.92 percent over a twenty-five year period from 2005 through 2030, or an average annual increase of approximately 0.72 percent. The national average growth rate is predicted to be 1.31 percent per year through this same period.

More than one-fourth (26.7%) of the state's population lives in Kentucky's larger cities, with Kentucky's "top ten" cities ranging in population from 26,349 to 556,429.

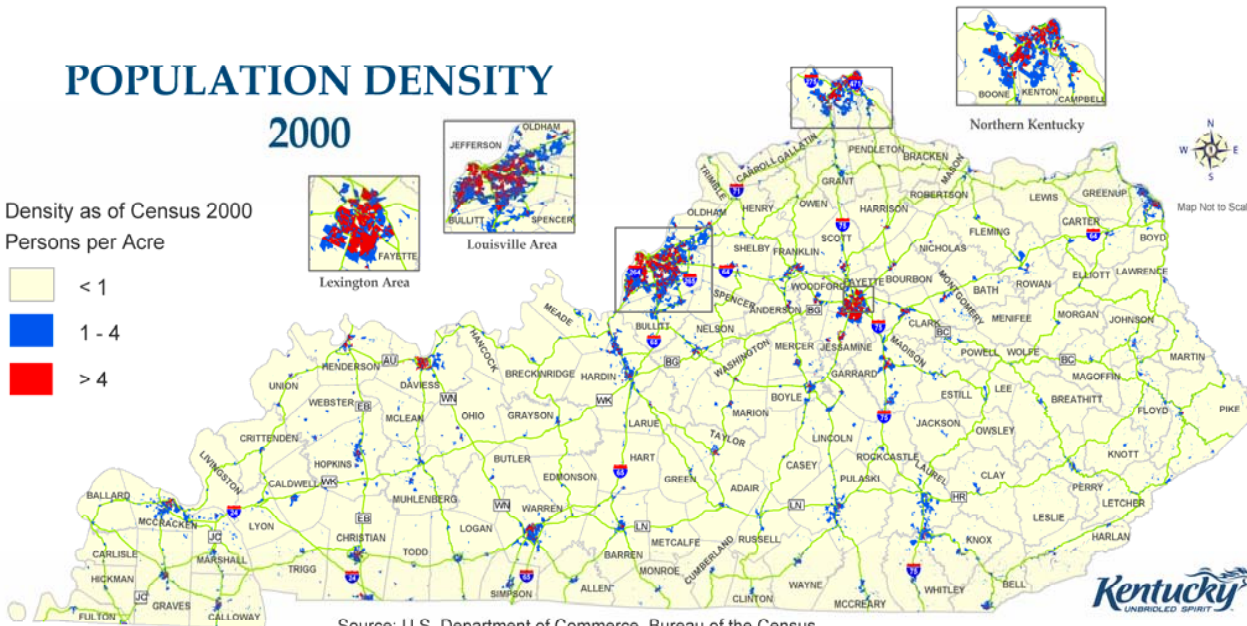
POPULATION CHANGE 1990 to 2000



Source: U.S. Department of Commerce, Bureau of the Census

POPULATION DENSITY 2000

Density as of Census 2000
Persons per Acre



Source: U.S. Department of Commerce, Bureau of the Census

In January 2003, the City of Louisville and Jefferson County merged, resulting in a population of 556,429 for Kentucky's largest city.

However, unlike the nation as a whole, Kentucky remains a relatively rural state. Nationally, only one quarter of the population lives in rural areas. In Kentucky, over 44 percent of the population lives in the rural areas.

Industry and Freight Movement

Until the 20th century, farming was the main source of income in Kentucky. As the 1990s began, manufacturing became Kentucky's dominant economic activity. Although Kentucky experienced some significant losses between 2003 and 2006, the manufacturing industry has remained the top industry in earnings. Following it are the fast-growing government sector and the wholesale and retail trade industry. The largest Kentucky employment sector is the trade, transportation and utilities sector.

The principal manufacturing employers in Kentucky continue to include transportation equipment, motor vehicle parts, food and machinery in that order for a civilian work force of almost two million people. United Parcel Service, Inc. expanded its freight hub in Louisville during 2005, making UPS the largest employer in the state, with the Ford Motor Company as the second largest employer, followed by the Toyota Motor Corporation, Humana, Inc., General Electric Company, and Delta Air Lines, Inc.



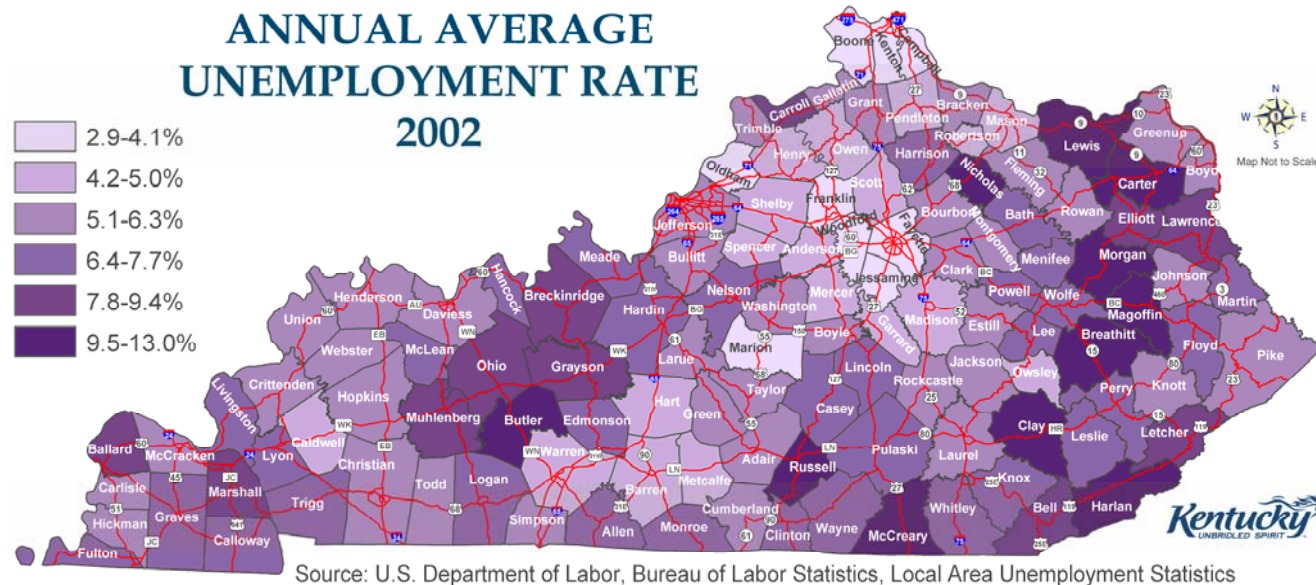
The top five commodity groups, in value, shipped to, from, and within Kentucky are transportation equipment, secondary traffic (freight flows to/from distribution centers or through intermodal facilities), mail/contract traffic (U.S. mail or other small packages), chemicals or allied products, and machinery. The top commodities shipped, in tonnage, were coal, nonmetallic minerals, secondary traffic, clay/concrete/glass/stone, and farm products.



The Commonwealth's geographically strategic position has enabled it to become a major participant in the automobile assembly and parts supply industry. Transportation equipment ranked as Kentucky's top export in 2005, representing approximately 37.9 percent of Kentucky's total exports. Kentucky led the nation in 2005 in turbojet and turbopropeller parts exports, followed by chemicals, machinery, and computer and electronic products.

North America, Western Europe, China, Taiwan, and Japan continued to be the major markets for Kentucky products in the global economy.

Kentucky’s unemployment rate was 6.1 percent in 2005, compared to the national rate of 5.1 percent in that same year. The counties in rural eastern Kentucky continue to consistently have the highest unemployment rates. While many Kentucky counties have unemployment rates which are equal to the national rate of 5.1 percent or within a half percent of the national rate, there are several rural Kentucky counties located primarily in eastern or southern Kentucky, along with a few rural counties just west of I-65, with unemployment rates of 10 to 14.4 percent, illustrating the lack of industry and access to the larger urban centers. However, central and northern Kentucky continues to thrive with extremely low unemployment rates of only four to five percent.

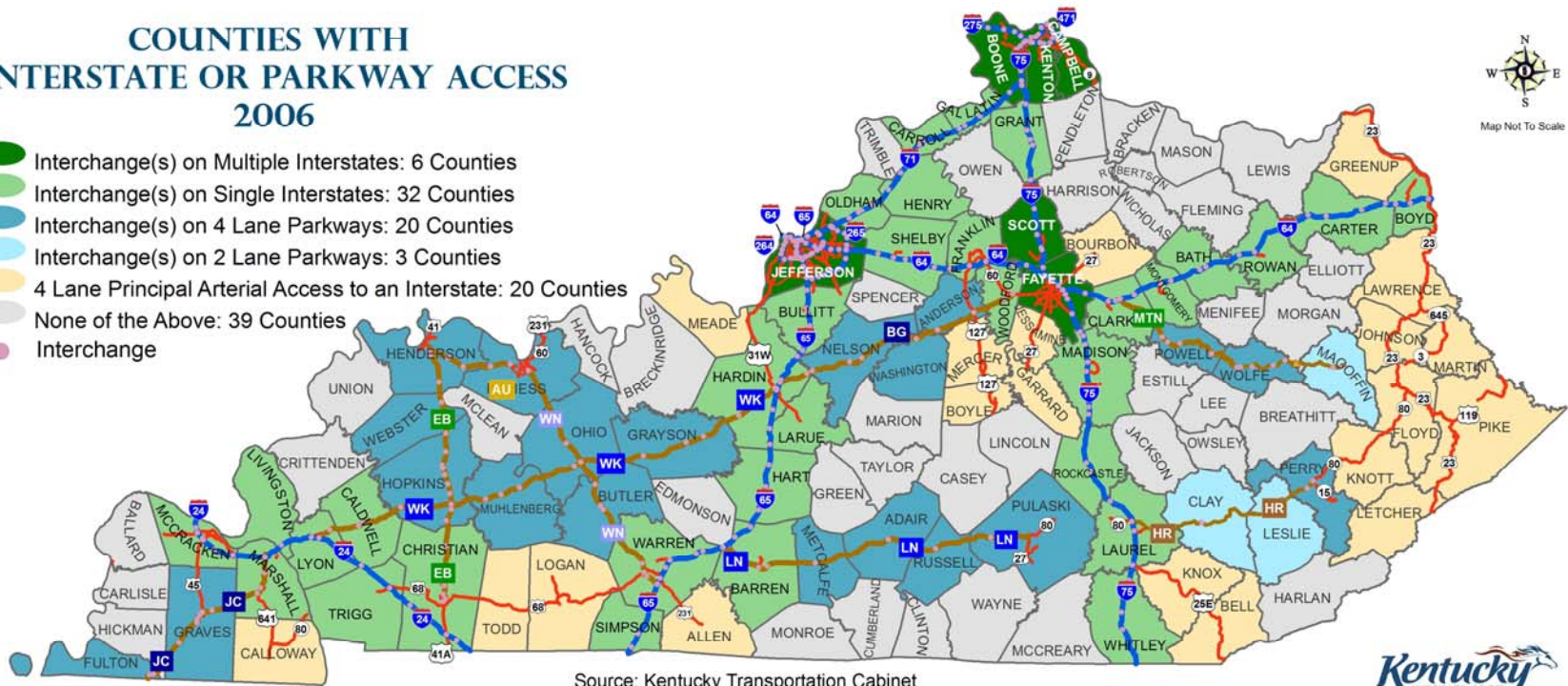


Approximately 70 counties in Kentucky have a minimum of 50 acres of industry-ready sites available for manufacturing and industry. “Industry-ready” means sites with utilities and roadways in place and ready for immediate construction or occupation of speculation sites. Kentucky also has a program for establishing Regional Industrial Parks in rural areas, which is a cooperative venture between several counties. To date, six regional parks have been created. It is hoped that providing better opportunities for economic growth in the rural areas of Kentucky will help encourage industry to locate in these more rural areas with higher unemployment.

A strong civilian work force combined with available industrial sites, a strategic highway network, and an intermodal transportation system providing good access, all combine to make Kentucky attractive to industries seeking new locations. Our location within 600 miles of two-thirds of the nation's population, and our ranking as the fourth most favorable state nationally for our low cost of doing business and the lowest overall cost of doing business east of the Mississippi River, make Kentucky an excellent choice for locating new business. Kentucky is in a perfect position, geographically, economically, and logistically to attract new and expanding business and industry.

COUNTIES WITH INTERSTATE OR PARKWAY ACCESS 2006

- Interchange(s) on Multiple Interstates: 6 Counties
- Interchange(s) on Single Interstates: 32 Counties
- Interchange(s) on 4 Lane Parkways: 20 Counties
- Interchange(s) on 2 Lane Parkways: 3 Counties
- 4 Lane Principal Arterial Access to an Interstate: 20 Counties
- None of the Above: 39 Counties
- Interchange



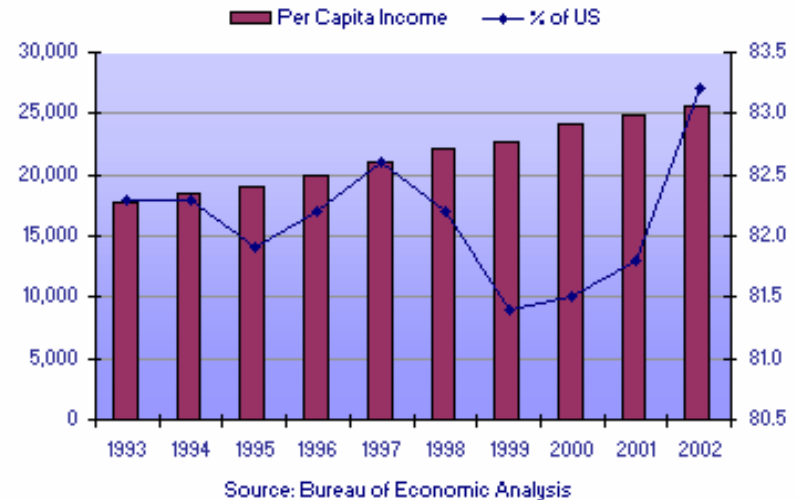
However, while Kentucky's major highway network does provide good access to the major population and economic centers in the state, Kentucky still has 39 counties that do not have an interstate or parkway located within their county, nor do they have four-lane arterial access to an interstate or parkway. To remain economically competitive, Kentucky will need to continue development of an effective transportation network providing good access for moving freight and people to and from these locations.

Income

Kentucky’s median household income in 2004 was \$35,269, almost 79 percent of the median household income of \$44,684 for the United States. In 2005 Kentucky had a per capita personal income of \$28,317, which was 82 percent of the U.S. per capita income of \$34,495, ranking Kentucky 43rd in the nation in 2005 as compared to 44th in 1990. However the growth rate for the ten-year period of 1995-2005 reflects a 4.1 percent increase for Kentucky, mirroring the average annual growth rate for the nation of 4.1 percent. The urban counties of Jefferson and Oldham (Louisville area), Fayette and Woodford (Lexington area), and rural Hickman County in Western Kentucky continue to have the highest per capita income in Kentucky and remain the only counties in Kentucky to exceed the national average. Fayette and Woodford Counties also contain many of the state’s horse farms, influencing the per capita rate.

The lowest incomes have historically been concentrated in the eastern Appalachian area, where seven counties did not reach half of the national per capita figure in 2002. Kentucky’s poverty rate was 17.7 percent in 2004, compared to the United States poverty rate of 12.7 percent for that same year. While Kentucky’s poverty rate grew substantially from 14.3 percent in 2002 to 17.7 percent in 2004, the rate was still down from the 19.0 percent rate in 1989. A three-year average poverty rate for Kentucky for the years of 2001-2003 was 13.7 percent, as compared to the United States average rate of 12.1 percent, ranking Kentucky with the 16th highest poverty rate in the nation over this period. The economic downturn that began in early 2000 has been spurred by a steady decline in manufacturing jobs. People have found other work, but their new jobs often pay much less than their previous manufacturing jobs.

Kentucky Per Capita Income, Percent of US



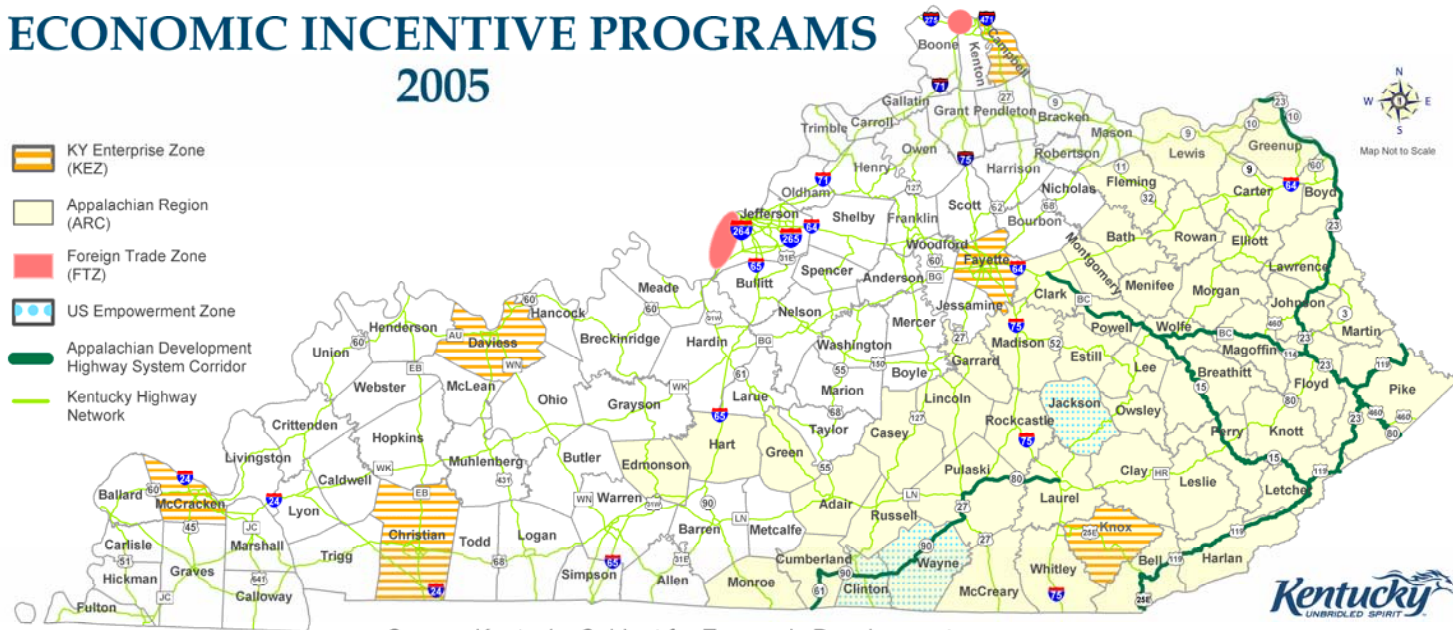
Minorities and Underserved Areas

Kentucky’s minority population in 2005 was 9.6 percent, up from 8.5 percent of the total state population in 1990. “Minorities” in this document have been defined in the same manner as the U.S. Census Bureau and the FHWA Order dated December 2, 1988, as including the following races: Black, Asian American, American Indian, Alaskan Native

and Hispanic. Kentucky is striving to reach the underserved populations of the Commonwealth through outreach methods to identify needs and by studying routes which would provide greater access and connectivity for the minority and low income areas of the state. Kentucky also considers the needs of the traditionally underserved populations, including minorities and low-income populations, when planning for the best route alternatives and options for Kentucky’s roadway projects.

There are several major economic incentive programs in Kentucky and opportunities for foreign trade zone operations that merit special consideration for future transportation improvements: the federal Empowerment Program, the Kentucky Enterprise Zone Program, and the Appalachian Development Highway System (ADHS). The Empowerment Zone initiative is a federal government program to enable the self-revitalization and growth of distressed urban and rural areas and includes Clinton and Jackson Counties, and part of Wayne County in Kentucky. Businesses that qualify and operate in the Empowerment Zone are eligible for federal support which include tax incentives and employer wage credit.

ECONOMIC INCENTIVE PROGRAMS 2005



The Kentucky Enterprise Zone Program, created by the General Assembly in 1982, targets areas in the state which meet the following requirements: average unemployment rate is at least 1.5 times the national average for 18 months;

70 percent of its residents have incomes below 80 percent of the area’s median income; and experienced a population decline of ten percent or more between 1980 and 1990. The Enterprise Zone Program provides tax incentives to stimulate business and industrial growth in economically distressed areas. Some additional regulations are eased which encourage the development of the area for a period of up to 20 years after the date of designation. Kentucky has identified ten cities and communities as state enterprise zones since 1983. The state’s four largest cities have had areas designated as “enterprise zones” in the past – Louisville, Lexington, Owensboro, and Covington. The six designated zones at this time include: Knox County (Eastern Kentucky), Paducah and Hopkinsville (Western Kentucky), Campbell County (Northern Kentucky), Lexington (Central Kentucky), and Owensboro (Northwestern Kentucky).

In Kentucky, 49 of its 120 counties are located within the Appalachian Region, with 32 of those counties identified as “Distressed Counties” by the Appalachian Regional Commission for 2006. To be designated as a “distressed county”, the county must meet the following guidelines: 150 percent of the U.S. unemployment rate, 150 percent of the US poverty rate, and less than 67 percent of the US per capita market income.

Kentucky has 426.3 miles designated as the Appalachian Development Highway System (ADHS) which was designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system and provide access to areas within the region as well as to other markets in the nation.

Of the 426.3 miles eligible for ADHS funding, 387.91 miles have been completed, 14.2 miles are under construction and 24.19 miles are in the design phase. The Kentucky routes included in this system which are not complete at this time are US 119 in Pike County, US 460 in Pike County and US 119 in Letcher County. The estimated cost to complete these sections of the ADHS is approximately \$882 million.

The transportation system for tomorrow is based on the structure, conditions, and habits of the past. Considering that corporate executives list highway, major market and major airport accessibility as the top three site selection factors, it is obvious that transportation will be a major component in Kentucky’s future economic development.

