



# Finding New Ways to Work Together

Southeast Kentucky  
Economic Development  
A Regional Growth Corporation

**2010** Progress Report

# Leading the Way



The Southeast Kentucky Economic Development Corporation (SKED) is a community development organization formed in 1986 to create employment opportunities in a 42-county service area in Southern and Eastern Kentucky. We accomplish our mission by recruiting new businesses to the region, providing direct loans and technical assistance to small businesses, and by providing economic development services to local cities and counties.



## SKED Board of Directors 2009-2010

The SKED Board of Directors is composed of 13 men and women from across the region. Each volunteer brings his or her own personal experience, knowledge and area of expertise to the organization's governance. Together, they've guided SKED through the rough economic waters of 2009 and helped find new ways to work with business owners and leaders in the region. They are pictured front row from left: Shirley Gifford, Charlene Harris and Virginia Flanagan. Back row from left are: Jim Johnson, Gerald Baker, Don Schaefer, Tim Barnes, Daryl Smith, Paul Dunnington, Ben Sams, Michael Hayes and Darryl McGaha. Dr. Jo Marshall, not pictured.

# Finding Ways to Respond to Economic Change

The Southeast Kentucky Economic Development Corporation (SKED) spent much of 2009 responding to recent economic and world events that have shaken the region's economic foundation. Unfortunately, more jobs were lost than were created, more businesses contracted than expanded, and fewer manufacturing companies moved into the region than in years past. Still, the region's entrepreneurial spirit is strong and the drive to succeed is even stronger.

Clearly challenges lie ahead in 2010, yet opportunities exist for those ready and willing to address these challenges. SKED plans to add more professional staff, new and expanded loan products, and much needed technical assistance programs to reach more of the region's small businesses and aspiring entrepreneurs. We look forward to expanding our successful partnership with local economic developers to actively market and promote Southeast Kentucky's regional business parks, available buildings, technology parks and outstanding quality of life to new and expanding businesses considering Kentucky as a new business location.

For twenty-four years, SKED has played a key role in supporting and developing the region's economy. While we are proud of our accomplishments, we know much work remains before Southern and Eastern Kentucky enjoys the same economic prosperity that exists elsewhere in Kentucky and across the United States. We begin 2010 with a renewed focus and commitment to fulfilling our important mission.

Sincerely,

Greg Jones  
Executive Director



## 2009 Highlights

- The U.S. Small Business Administration designated SKED as a certified SBA 504 Lender, serving the entire Commonwealth. As an SBA Certified Development Company, SKED can package long-term, fixed-rate financing for major fixed assets, such as land and buildings for manufacturing projects up to \$10 million.
- SKED was awarded a \$600,000 grant from the U.S. Department of Health and Human Services Office of Community Services to provide a low-interest loan to Southeastern Kentucky Rehabilitation Industries (SEKRI) to expand its manufacturing facility in Cumberland, Ky. and create 40 new jobs in East Kentucky.
- SKED was awarded a \$165,000 USDA, Rural Development, Rural Business Enterprise Grant designed to assist small business owners in Southeast Kentucky. The grant money was used to make a low-interest loan to Jeff Sheppard Apparel, of Laurel County, to assist in its expansion. This expansion has resulted in the retention of five jobs and the addition of three more full-time positions in Laurel County.
- SKED invested a total of \$3.9 million in 20 small businesses and industries. These projects created 833 new manufacturing, service industry and technology jobs in the region.
- Fifteen new or expanding manufacturing and technology companies created 599 jobs around the state, according to information provided by the Kentucky Cabinet for Economic Development.

# Expanding Ways

“We, at the SBA, are delighted to have SKED as a 504 Loan CDC lending partner in the Kentucky market. As successful small businesses execute plans to expand and grow the business, they need a viable financing solution to enable the acquisition of fixed assets and fund capital projects.”

- **Steven Ayers, SBA's**  
Kentucky District Director



Fifth District Congressman Hal Rogers, left, SKED Executive Director Greg Jones, center, and Steven Ayers, SBA's Kentucky district director, joined the region's leaders in Somerset, Ky. to announce SKED's certification.

## **The U. S. Small Business Administration (SBA) approved SKED as a Certified Development Company (CDC) in 2009.**

This new designation allows the 23-year-old, nonprofit economic development organization to process and structure SBA 504 loans for businesses statewide.

“The 504 loan program is designed to stimulate job creation and sustain economic development,” said Congressman Rogers. “SKED has already catapulted the creation of more than 10,000 jobs in Southern and Eastern Kentucky.

“By relieving the burden of start-up costs, the CDC designation will play a key role in forging economic development in our region. Our nation's recession has forced thousands of families out of jobs and out of their homes. SKED is now offering a true economic stimulus package through the 504 loan program that is helping businesses put families back to work today.”

# SKED General Membership Expands To 25



**Don Schaefer**  
President,  
Southeastern Kentucky  
Economic Development  
Corporation

**SKED's certification as a CDC includes the expansion of its service area statewide for SBA 504 loans and the addition of 12 new members to its General Membership.**

Don Schaefer, president and CEO of Jackson Energy Cooperative, currently serves as SKED's Board of Directors' President leading the directorship of the 13-member board and now heads up the new expanded 25-member General Membership. Schaefer has been president of Jackson Energy since 2000 and a member of the SKED Board of Directors since 2004.

This dynamic group of economic development, banking, business, education, and workforce training leaders has and will continue to play a vital role in SKED's successful implementation of its CDC status.

Members were selected from across SKED's 42-county service area, bringing with them decades of experience in their fields and deep love for the region they represent.

## GENERAL MEMBERSHIP LIST

**Don Schaefer**  
President/CEO  
Jackson Energy Cooperative

**Shirley Gifford**  
CPA

**Gerald Baker**  
District Manager  
Delta Natural Gas

**Ben Sams**  
Account Representative  
Windstream Communications

**Paul Dunnington**  
Owner  
Dunnington Rental & Storage

**Allen Anderson**  
President/CEO  
South Kentucky RECC

**David Ledford**  
President  
Boneal, Inc.

**Tim Barnes**  
President/CEO  
Hometown Bank

**Jim Johnson**  
President  
First Trust & Savings Bank

**Michael Hayes**  
Special Projects Director  
Kentucky Highlands  
Investment Corporation

**Charlene Harris**  
President/CEO  
First National Bank of Russell  
Springs

**Jeff Smith**  
Chief Financial Officer  
Peoples Bank and Trust  
Company of Hazard

**Corey Craig**  
President  
Citizens Bank of Mount Vernon

**Steve Tolliver**  
President  
Bank of Harlan

**Daryl Smith**  
Economic Development  
Executive  
E-ON-US

**Virginia Flanagan**  
Executive Director  
Kentucky Agriculture  
Heritage Center

**Mark Givens**  
Community Development  
Specialist  
Lake Cumberland  
Area Development District

**Denise Thomas**  
Development Associate  
Big Sandy Area Development  
District

**Dr. Jo Marshall**  
President  
Somerset Community College

**Darryl McGaha**  
Director of Workforce  
Development  
Lake Cumberland  
Area Development District

**Arlen Sanders**  
Executive Director  
Stanford/Lincoln County  
Industrial Authority

**Rodney Hitch**  
Executive Director  
Morehead-Rowan County  
Economic Development Corp.

**Ron McMahan**  
Executive Director  
Team Taylor County

**Charlie Pennington**  
Executive Director  
London-Laurel County  
Industrial Development Authority

**Bruce Carpenter**  
Executive Director  
Corbin Office of Economic  
Development

# Financing Ways

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Southeast Kentucky business owners seeking to survive the economic challenges of 2009 used ingenuity and innovation. SKED was there to help with its lending programs and technical assistance. Some of the ways the region's business owners entrepreneurs met their goals follow:

## Stidham Cabinets

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**James Stidham** began building his custom cabinetry business 35 years ago. When the housing construction industry took a nose dive in 2009, he sought new ways to keep his 56 employees working and managed to hire even more by diversifying his customer base to include more commercial work. This expansion included the purchase of a wood-fired boiler system to heat his expanded Laurel County facility, additional inventory and working capital. SKED assisted Stidham with a business and industry loan to purchase the necessary equipment to retain the employment and benefits of **Stidham Cabinet's** current employees and enable the hiring of an additional 20 new workers.

## South Kentucky Pest Solutions

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**Lonnie Poynter** is an entrepreneur affected by the losses in the housing market too. This unemployed licensed Kentucky home inspector chose to take his experience as a home inspector and his newly acquired pest control license to begin his own small business serving homes and businesses in Southeast Kentucky. Poynter needed to purchase a truck, spray rig and chemical inventory to facilitate the growth of his new business - **South Kentucky Pest Solutions**. He was referred to SKED by his hometown bank, where he had been unable to acquire financing. SKED made a micro loan to Poynter to assist in the purchase of the new equipment. As a result of the loan, **South Kentucky Pest Solutions** created three new jobs and added a new service in the region.



## Dinners Made Simple



**Becky Warner** spent the past four years working 12 to 14 days to build a unique catering business in her hometown. Planning, preparing and selling her time-proven, homemade meals from a small Corbin, Ky. store front, she has been a one-woman shop sending weary business men and women home with home cooked meals after a hard day's work. When the mother of three saw the need to expand **Dinners Made Simple** into a full-service restaurant in 2009, she needed to buy equipment and working capital, hire help and grow the business she had built. SKED was able to assist with a micro loan that did just that.

"I believe you can make a business out of anything, but it all comes down to financing. It's been a real pleasure working with SKED."

- **Edwin Bowling** Ultra-Lok

## Ultra-Lok™

From his machine shop nestled in the hollows of Perry County, Ky., **Edwin Bowling** oversees the completion of each of his patented **Ultra-Lok™** bolts before they're shipped off to suppliers and customers around U.S. and used in all types of machinery. His business model is a simple one: produce the best product for the best price and keep your suppliers happy.

This mountain entrepreneur primarily responsible for the bolt's design says there's no better place to produce them. It's where the idea was born and it's where he's happiest.

It was the need for additional inventory and working capital to fulfill a large and specific order that led Bowling to SKED and its low-interest loan programs. SKED was able to provide a loan using funds from the USDA Rural Business Enterprise Grant program.

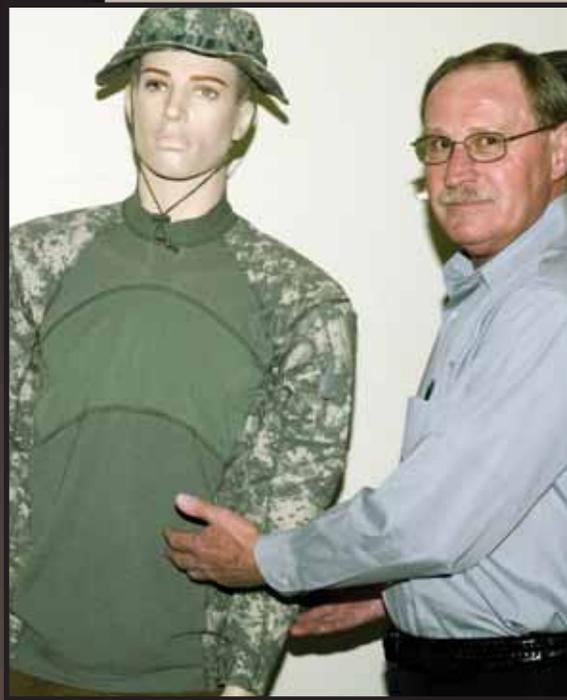
Bowling says the loan is the money he needs at just the right time to get his business "over the hump" and producing to an even larger market without having to leave East Kentucky.



# Community Development

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**SKED was awarded \$765,000 in state and federal funding to expand its economic and community development activities and to assist two businesses in expanding their operations in 2009.**



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## SEKRI

**Southeastern Kentucky Rehabilitation Industries** (SEKRI), a nonprofit manufacturer, partnered with SKED in 2009 to apply for a grant from the U.S. Department of Health and Human Services Office of Community Services (OCS) to increase the capacity of its Harlan County facility by providing \$600,000 in working capital to purchase inventory and add 40 new employees to the 104-member workforce over the next two years.

Workers at the Cumberland operation produce 3,000 fire-retardant Army Combat Shirts (ACS) each week. These shirts are made with fire-retardant fabric and thread and are invaluable in a war where troops are frequently subjected to roadside bombs and other flash-fire situations. SKED was awarded the grant in late October and dispensed the funds to SEKRI in the form of a low-interest loan in December.



## Jeff Sheppard Apparel

**Jeff Sheppard** knew he needed more working capital to fulfill the current contract needs and acquire more at his custom screen printing and embroidery business in Laurel County. He needed to buy more equipment, hire more professionals and build and customize his inventory. He turned to SKED for assistance. SKED staff determined the project was a perfect fit for a USDA, Rural Development, Rural Business Enterprise Grant designed to assist small business owners in Southeast Kentucky. SKED applied for and was awarded a \$165,000 Rural Business Enterprise Grant (RBEG) to then loan to **Jeff Sheppard Apparel** to assist in the expansion of his business. This expansion has resulted in the retention of five jobs and the addition of three more full-time positions in Laurel County.

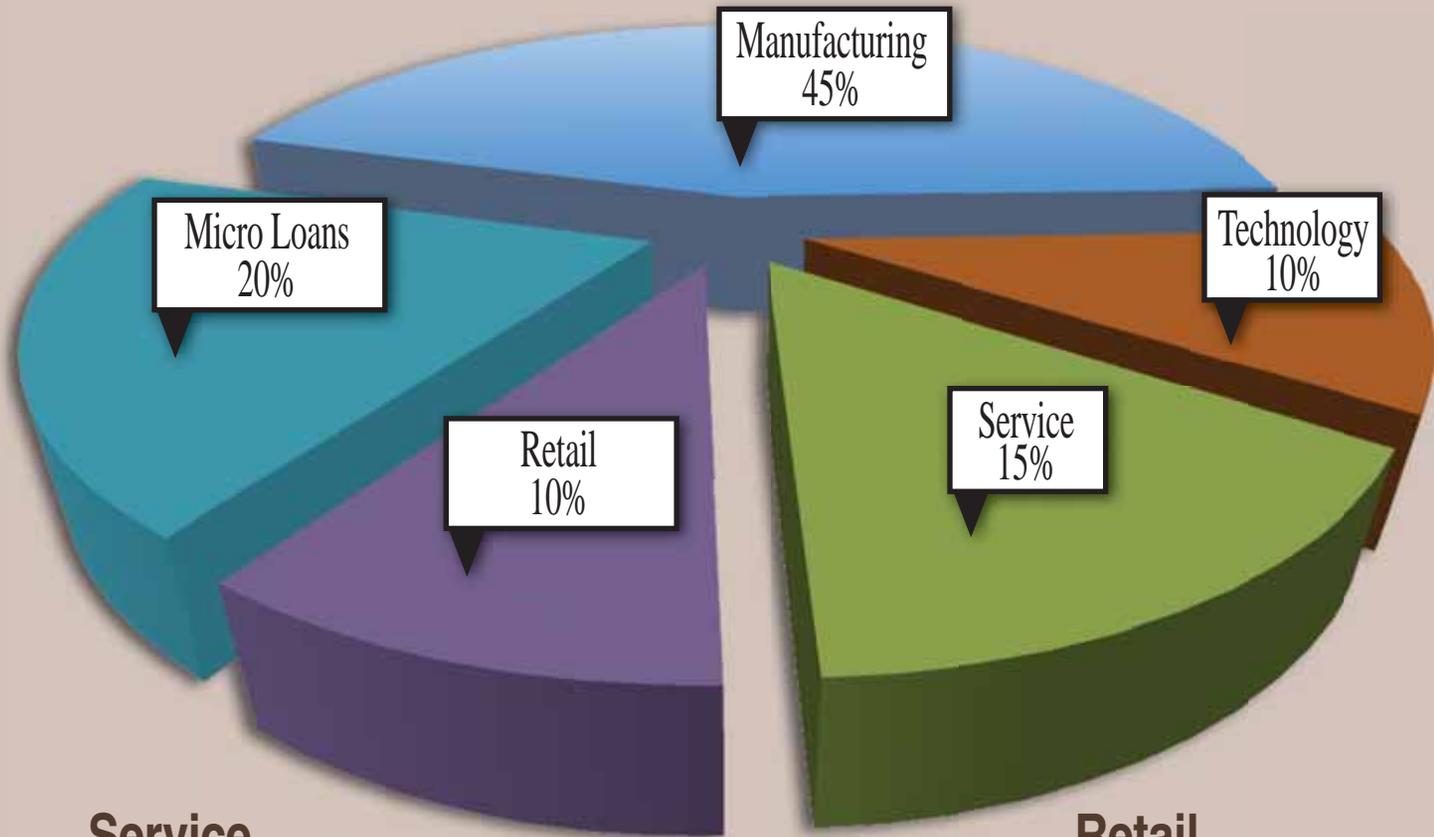
“These funds will go a long way toward putting people back to work and helping families in these challenging economic times. SEKRI is a local success story and with these funds this locally-focused enterprise will receive the financing and technical assistance necessary to grow, compete, and perform at the highest level. When given the chance, our businesses and our hardworking people can produce top quality goods and services. SKED has done it again.”

– **Harold “Hal” Rogers**  
Fifth District Congressman

### GRANTS AWARDED TO SKED

HHS (OCS)	\$600,000
USDA (RBEG)	\$165,000
Total	\$765,000

# Diversifying Ways



## Service

Price Backhoe Service  
Grace Community Health Care  
Goff Auto Care

## Technology

Eastern Telephone Company  
Senture

## Manufacturing

Lincoln Manufacturing  
Highlands Diversified Services  
BRUSS North America  
Casteel Woodworks  
Stidham Cabinets  
Ultra-Lok Fasteners  
SEKRI

## Retail

Jeff Sheppard Apparel

## Micro Loans

BAM Pizza  
Party Direct, Inc.  
Dinners Made Simple  
South Kentucky Pest Solutions

# Historical Ways

FUND	DATE	AREA SERVED	NUMBER OF LOANS	NUMBER OF JOBS	AMOUNT OF LOANS	TOTAL INVESTMENT
USDA Intermediary Relending Program	1996	42 Counties	48	1,051	\$7,134,062	\$77,011,773
USDA Rural Business Enterprise Grant	1997	42 Counties	38	492	\$2,300,049	\$18,384,241
Community Development Financial Institutions Fund	2001	42 Counties	39	1,832	\$5,695,212	\$96,435,027
U.S. Department of Housing and Urban Development	2003	Specific Counties	3	110	\$1,100,000	\$2,274,741
U.S. Department of Health and Human Services	2001	Specific Counties	5	155	\$2,098,000	\$5,063,846
Economic Development Administration/Appalachian Regional Commission	1999	42 Counties	9	198	\$2,750,000	\$60,479,452
*U.S. Small Business Administration 504 Loan Program	2009	Statewide	3	157	\$5,493,426	\$14,304,709
*Approved but not closed.		TOTALS	145	3,995	\$26,570,749	\$273,953,789

SKED's lending capacity increased in 2009, and the organization diversified its loan portfolio with the designation as a Small Business Administration CDC. A total of 20 loans were approved totaling more than \$3.7 million. These investments created 860 new manufacturing, service industry and technology jobs in the region.

In 2010, SKED plans to add more programs and offer new services which will be further developed and announced in the coming months. SKED looks forward to expanding upon its successful partnerships with area businesses, community leaders and economic development officials in the year ahead.



"As Rural Development State Director, I look forward to continuing a strategic partnership with Southeast Kentucky Economic Development Corporation and facilitating small business development across the Commonwealth. The hard work of the SKED staff has created and saved jobs that will positively impact the 42 southeastern Kentucky counties in their coverage area for years to come."

**-Tom Fern**  
Kentucky State Director USDA

# Southeast Kentucky Economic Development

thanks the following funding partners for their assistance in 2009-2010:

**Appalachian Regional Commission**

**Commonwealth of Kentucky**  
*Cabinet for Economic Development*

**U.S. Department of Agriculture**  
*Rural Development*

**U.S. Department of Commerce**  
*Economic Development Administration*

**U.S. Department of Health and Human Services**  
*Office of Community Services*

**U.S. Department of Housing and Urban Development**  
*Rural Housing and Economic Development Program*

**U.S. Small Business Administration**  
*SBA 504 Program*

**U.S. Department of the Treasury**  
*Community Development Financial Institution Fund*

